

NEWS: EUROPE

Shell stunned by Brent Spar anger

By Robert Corzine and Judy Dempsey in Berlin

Executives at Royal Dutch Shell, the Anglo-Dutch oil giant, must be musing this weekend on the thought that sometimes it is not enough to abide by the letter of the law.

As the Brent Spar, Shell's disused North Sea oil storage platform, moves ever nearer the deep sea disposal site off the Scottish coast, the company yesterday continued to defend its controversial dumping plan.

Although Shell held out the prospect of some delay due to bad weather, the official line was unchanged. Company managers stressed that the deep sea option was only chosen after three years of analysis, and that the disposal plan meets all UK and international legal obligations.

But the company line was being battered by a growing storm of public opposition in continental Europe.

In Germany, where opposition to the plan has been greatest, the boycott of Shell gained further momentum yesterday. For the first time in many years Germany's political parties put aside their differences to unite in opposition to the dumping of the Brent Spar. It coincided with a swelling grassroots movement involving churches, trade unions and local politicians to boycott Shell's 1,700 petrol stations.

The intensity of the reaction has clearly surprised Shell executives. It has also worried other oil companies facing similar problems with ageing North Sea platforms.

In addition many in the oil industry say Shell's handling of the issue has been "disas-

trous". But how could a company as large and sophisticated as Shell have misread public opinion so badly?

Part of the problem may lie with the fact that the Brent Spar decision was taken in the UK, where the public reaction to the plan has been much more muted than in continental Europe, and where the government has fully supported Shell's course of action.

In addition Shell had some assurance that the plan had been reviewed by a large number of government agencies and interest groups, including environmental organisations.

Mr Andrew Searle of the UK Offshore Operators Association, the trade association for North Sea oil companies, says groups such as the Nature Conservancy Council and fishermen's organisations would have routinely reviewed

the response," said Mr Jochen Vor-

felder, one of Greenpeace's main German co-ordinators. "These ordinary people said they wanted to do something."

Germany is one of the most environmentally conscious countries in the European Union. It has a battery of legislation designed to combat pollution and encourage recycling. The car, paper, publishing and chemical industries have invested heavily in introducing environmentally friendly products.

One environmental analyst advising a large German company explained the reaction by saying: "Shell trying to undo everything we have tried to do over the years. Huge efforts have been made by industry to persuade their customers to switch over to products which help protect the environment. Industry feels angry with Shell."



A policeman looks for evidence at the Shell petrol station in Hamburg set ablaze by protesters.

Chechen crisis threatens to escalate

By Chrystia Freeland in Moscow

The political and human cost of the Chechen terrorist attack on the southern Russian city of Budenovsk threatened to escalate yesterday, as a senior Russian leader said force was the only solution to the hostage crisis and opposition leaders excoriated the government for its handling of the situation.

Gen Pavel Grachev, Russian minister of defence, told a press conference yesterday that the only way to save the lives of up to 2,000 hostages held by Chechen gunmen was to use force "as soon as possible".

"The terrorists understand they have nowhere to retreat and they will not surrender," Gen Grachev said.

The minister's bellicose comments

came against a mounting wave of political criticism of the Russian government's reaction to the crisis and the lax security which had allowed Chechen gunmen to mount an attack in Russia's southern heartland.

The Duma, the lower chamber of the Russian parliament, yesterday passed a non-binding resolution demanding that Russian president Boris Yeltsin immediately return from the G-7 summit meeting in Halifax.

The crisis in Budenovsk, where at least 67 people have been killed since the attack by Chechen rebels on Wednesday, appeared to unite Mr Yeltsin's democratic and communist opponents and could foreshadow fresh difficulties for the government next week when leaders of the parliament plan to discuss a vote of non-confidence.

The events in the North Caucasus, especially the tragedy in Budenovsk, show vividly that federal powers are ineffective and are chronically unable to settle the protracted Chechen crisis," the Duma said in a statement accompanying yesterday's resolution.

One deputy suggested that the Russian government should be traded for the hostages held in a Budenovsk hospital, because it was to blame for provoking the crisis.

In Budenovsk itself, talks between Russian officials and gunmen led by Mr Shamil Basayev, one of the top Chechen field commanders, were at stalemate. Chechen leaders released to city authorities the bodies of 50 Russian civilians who had been killed during Wednesday's attack, but rejected Rus-

sian offers of money and safe passage out of the country in exchange for the hostages.

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Mr Basayev said he was prepared to allow the hospital with the gunmen and their Russian captives inside if his demands were not met.

"It does not matter to us when we die, what matters is how we die. We must die with dignity," Mr Basayev told a news conference on Thursday. "If we have to, we will shoot the hostages."

"Emu will bring stability to the financial market and thus provide significant support to national economic policies, contributing to the use of national measures for promoting sustainable economic growth and improving the government situation," the government said in a statement.

It was the first time the coalition administration, which includes the conservatives, environmentalists and former communists as well as the SDF, had taken a clear stance on the issue since it came to office in April. The government said the final decision on joining Emu would be taken by parliament - but it holds 145 out of the 200 seats.

It said it would back the initiation of the final stage of Emu by a limited number of EU states, but as many members as possible should participate. "Finland's aim is to be among the first countries to enter," it declared.

The coalition, led by Prime Minister Paavo Lipponen, said

Finland aims to be among first to enter Emu

By Hugh Carnegy in Stockholm

Finland's Social Democratic-led government yesterday said it intended to be among the first countries to enter the final stage of the European Union's planned economic and monetary union (Emu), involving the creation of a single currency.

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Scientists condemn nuclear test plan

A group of French scientists yesterday condemned President Jacques Chirac's decision to resume nuclear testing and said they would leave their laboratories to protest in Paris next month. Reuter reports.

The National Union of Scientific Researchers (SNSC) said the planned eight underground nuclear blasts in the south Pacific were unnecessary and would undermine world moves towards disarmament.

Mr Chirac's announcement on Tuesday has triggered outrage around the globe.

The SNSC challenged Mr Chirac's assertion that competent civil and military experts were "unanimous" in saying France had to carry out the final tests at the Mururoa site to ensure the safety of its nuclear arsenal. The scientists say the same results can be achieved through computer simulation.

"By acting in this way, he makes the policies of France subservient to the narrow interests of nuclear weapons technicians and the military-industrial lobby," it said.

The SNSC said that about 10 per cent of an estimated 16,000 mainstream French scientists were SNSC members.

The scientists were planning to stage a demonstration in Paris on July 1. Mr Chirac said that after the tests were completed next May France would halt testing.

Hopes of implant a dim over

Virulent symptoms of social decay

The CIS is facing an epidemic of infectious diseases, reports Chrystia Freeland

A wave of infectious diseases, triggered by

collapsing social infrastructure and a heat wave, is sweeping through the former Soviet Union.

For the first time since the second world war, cholera has been locally contracted by at least two Moscow residents, prompting city authorities to post police officers along a 1km stretch of the Moskva river, which they say is infected with cholera bacteria.

The spread of infectious diseases is one of the most virulent symptoms of the social and economic deterioration which the former Soviet Union has experienced over the past four years, as the region has begun a transition from discredited communism to more free-wheeling capitalism.

In what has become an annual summer event, declining health care standards, increasing poverty and a breakdown in government monitoring of water and food safety standards have sparked a rash of infectious diseases which have

launched a campaign of emergency measures to prevent the disease from spreading, have warned that nine other beaches are unsafe.

The most high-profile contagi-

on in the former Soviet Union has been an outbreak of diphtheria among the separatist leaders of Crimea, the Russian-dominated peninsula in southern Ukraine. A week ago Mr Yuri Meshkov, president of Crimea until he was sacked by the Ukrainian government in March, was hospitalized with a severe case of the disease.

Mr Meshkov's illness has provoked panic among Crimean officials and government officials, fearing their posts made them prime targets for the disease, queued in the potentially infected parliament building to receive an emergency inoculation against

diphtheria. At least 148 people have contracted diphtheria in Crimea over the past five months, and four have already died from the disease.

In other parts of the former Soviet Union, the main problem is cholera. In addition to the outbreaks in the Russian capital, cholera has been reported in two regions in southern Russia and several other former Soviet republics.

The most severe outbreak is in the Mykolaiv region in southern Ukraine, where 71 have contracted the disease, carried in the local river, and at least one person has died. Three people have died from cholera in Tadzhikistan, and an outbreak has been reported in Baku, capital of Azerbaijan.

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Tension in Chile over

"What distinguishes Spain's secret service, as one commentator said this week, is that it turns out to be neither secret nor a service.

The disclosure that Spanish intelligence recorded dozens of private mobile-telephone conversations over seven years, including one tape of King Juan Carlos, has not only rocked an already wobbly political boat. It has also shown up how difficult it is in Spain nowadays to keep anything confidential.

The daily *El Mundo*, which has the fastest-growing circulation among national newspapers, has made a speciality of publishing normally unprintable documents such as personal bank transactions. Anyone with something to hide had better not have a bank account, go to meetings or above all use a mobile phone.

This week's reports, featuring a log of 98 tapes with names and descriptions, were its biggest coup since the so-called "Laos papers" in

March. The government had just announced the arrest in Bangkok of fugitive former Civil Guard chief Mr Luis Roldán, whom police had supposedly tracked down in northern Laos. The next day *El Mundo* had the Laotian faxes dealing with the extradition.

It then transpired that these were fakes, that Mr Roldán was never in Laos at all. Who was tricking whom, or who supplied the bogus documents, is still a mystery.

The eavesdropping affair likewise has a strong whiff of farce to it - a pantomime in which characters from other celebrated affairs make guest appearances.

It has already cost Lt Gen Emilio Alonso Manglano his post as director-general of the Cerd intelligence service, a job he was appointed to shortly after the army coup attempt in 1981. Mr Narcís Serra, deputy prime minister and former defence minister who was responsible for Cerd when the recordings were made, is under strong pressure from within the governing Socialist party to resign too. For Mr Felipe

with the Socialist in Mulhouse, in

NEWS: THE AMERICAS

Microsoft deal on anti-trust wins appeal

By Louise Kelso in San Francisco

Microsoft's anti-trust settlement with the US justice department, stemming from a complaint about the software company's licensing practices, has been approved by the US appeal court in Washington.

The court yesterday overturned a lower court decision against the settlement, which requires Microsoft to change the terms under which it licenses software to personal computer manufacturers.

In February, federal district judge Stanley Sporkin had rejected the settlement, complaining that it was too narrow and failed to address several allegations of unfair business practices raised by Microsoft critics. Judge Sporkin, a former head of enforcement at the Securities and Exchange Commission, was openly critical of the justice department's handling of the case against Microsoft.

Microsoft's share price rose sharply on news of the appeal court decision, to trade at \$87 in mid-session yesterday in New York, up from the Thursday close of \$84.

The Microsoft Network investigation comes on the heels of a justice department lawsuit to block Microsoft's \$2bn acquisition of Intuit, the leading maker of personal finance software. Microsoft dropped its acquisition plans rather than risk long legal proceedings.

Microsoft said it was "very pleased" with the appeal court decision. The company had admitted no wrongdoing in the settlement agreement.

Hopes of breast implant accord dim over cash

By Richard Waters in New York

The prospects for the \$4.25bn global settlement of breast implant cases were dimmed yesterday when it emerged that there is a severe shortage of cash to meet compensation payments.

Under the negotiated agreement, which was approved by a US court last year, women would be compensated for illnesses they claim to have suffered due to leaking silicone implants.

However, the large number of claims lodged threatens to overwhelm the fund, forcing payments to be reduced from the original level indicated.

In a statement released yesterday, the administrator to the fund said that initial payments, made out of a \$1.2bn sub-fund, would be only 5 to 16

Frei to 'oversee' case of two officers

Tension rises in Chile over army

By Imogen Mark in Santiago

The intensifying constitutional crisis in Chile has forced President Eduardo Frei to cancel plans to attend a meeting of Latin American heads of state in Brazil tomorrow.

Press reports said Mr Frei wanted to stay in Santiago to oversee the implementation of prison sentences on two senior officers convicted of the murder in Washington of Mr Orlando Letelier, a former Socialist minister, in 1976.

Retired General Manuel Contreras, former chief of the secret police, who has been sentenced to six years in jail, is in a naval hospital at Talcahuano, southern Chile, where he was flown by the army on Tuesday without government approval. A medical report claimed that he was suffering from high blood pressure, brought on by stress.

Although both Mr Frei and Colonel Pedro Espinoza, his deputy, have been formally notified of their sentences, warrants for their arrest have not yet been served. An attempt to present them on Thursday was thwarted.

Tension rose in Chile on Thursday after Gen Augusto Pinochet, army commander and former dictator, had challenged the authority of the Supreme Court to sentence the two men. Gen Pinochet said the trial of the two had been "unjust" and was tainted by political considerations.

The government has not reacted officially to the genera-

EU 'should have wider crime role'

defend itself against the department's charges.

This may not, however, be the end of Microsoft's problems with anti-trust regulators. Last week, the company acknowledged that it has received demands from the department for information related to its plans to launch a new on-line information service, called the Microsoft Network.

Departmental officials are believed to be close to a decision on whether to file a new complaint against Microsoft in Brussels, a spokesman for European anti-trust regulators said that US justice department officials will be conferring with their European counterparts on the new investigation.

EU anti-trust authorities had previously joined the justice department in its investigation of Microsoft licensing practices and had reached an almost identical settlement with the company last year.

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Downed dove may signal new war

Stephen Fidler finds Colombia carrying on business after the latest Medellin bomb

A bloody message was delivered to the people and government of Colombia a week ago today. A bomb in a public square in the city of Medellin killed at least 27 people and injured 200 more. Even in Medellin, inured to violence, the explosion came as a shock.

The bomb was put under a bronze sculpture in the Parque de San Antonio, a newly paved square in the centre of the city. When it exploded, some 1,500 people were celebrating a festival. An hour or two earlier, 5,000 people had been there.

The meaning remains unclear, but the bomb's symbolism was not lost on Colombians. The statue, by the Colombian sculptor, Fernando Botero, was of the dove of peace. The dove appears to have crashed on its plinth, whose steel bars of reinforced concrete were exposed by the explosion.

The ambassador emphasised that the US was disappointed in the co-operation offered to date by national interior ministries in Europe on what are known as the third pillar aspects of closer EU integration, which cover international crime.

"If the Commission had been given more responsibility to initiate suggestions and recommendations," he said, "we would have received more co-operation than we have." In general, the failure to make progress on third pillar subjects had been "one of the biggest disappointments" of the Maastricht treaty, he added.

The summit of the US, the EU and France (in its capacity as EU president) this week in Washington had yielded, said Mr Eisenstat, "a major accomplishment" - the creation of a senior level group to report to the Barcelona summit in November on ways to move the transatlantic relationship forward into the 21st century.

The explosion came as the government was celebrating the arrest of the supposed kingpin of the Cali cartel, Mr Gilberto Rodriguez Orejuela. According to the US Drugs Enforcement Administration, he was responsible for 80 per cent of the cocaine that enters the US.

The bombing was followed by other explosions in Medellin, and the murder of important law officials. On Thursday night, 10 kilograms of dynamite exploded in the national



A soldier attracts youthful spectators before a drug raid in Medellin. Picture: Reuters

Congress building in the heart of Bogotá, causing damage but no deaths or injuries.

For Medellin, the bomb ended 18 months of freedom from terrorism, which had begun with the shooting by government agents of the head of the Medellin drug cartel, Pablo Escobar, in December 1993. But freedom from terrorism is not the same as freedom from violence; Escobar's demise did not stop violence in the semi-official second police force.

But this is not Medellin's only face. The city, Colombia's second largest after Bogotá, with a population of more than 2.5m, boasts dynamic industry, urban highways, skyscrapers and a conference and exhibition centre which can accommodate some 20,000 visitors.

The government's writ hardly

"We're not saying that violence has disappeared, because it hasn't," says Mr Alvaro Uribe Velez, governor of the department of Antioquia, of which Medellin is the capital. "We are not seeking a cosmetic image, but a more balanced one."

The textile, garment assembly and other industries of Medellin are responsible for more than a fifth of Colombia's industrial production. Garments from the city's factories are sent around the world carrying brand names such as Oscar de la Renta.

It is also one of the most advanced medical centres in Latin America. A long history of medical practice - the oldest of its three medical faculties celebrates its 200th anniversary next year - combines with modern day violence to give the city a comparative advantage in the treatment of trauma and in organ transplants.

The city even has tourists. Mr Luis Fernando Duque of its tourism authority says some 40,000 tourists, as officially defined, visit each year, many to use medical and conference facilities. Mr Duque acknowledges the difficulties caused by the terror bombings of the Escobar years, which he describes euphemistically as "the recession in the security situation".

What many in Medellin and elsewhere in Colombia now fear is that "recession" is returning to the country's other cities. "The question," said Mr Enrique Santos Calderón, a journalist writing in the country's biggest selling newspaper, *El Tiempo*, "is whether we are in the waiting room of a new drug war."

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000.000.

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NEWS: INTERNATIONAL

G7 leaders confident of growth outlook

By Peter Norman
in Halifax, Nova Scotia

The Group of Seven leading industrialised countries see no danger that the slowdown in some of the world's big economies poses a threat to sustained economic growth. Mr Günter Rexrodt, the German economics minister, said yesterday that G7 finance ministers, at a meeting on Thursday night, had agreed that the outlook was for robust growth in most countries.

However, Mr Yves Thibault de Silgy, the European Union's commissioner for economic and monetary affairs, said after the same meeting

that the European ministers from Germany, France, Britain and Italy were generally more optimistic about growth than those from the US and Canada.

Japan took the view that it could solve its economic problems after the adoption in April of budgetary measures and the reduction that month of the discount rate to 1 per cent. The US and Canada saw their economies heading for a soft landing in spite of sharp slowdowns in growth in the first quarter of this year.

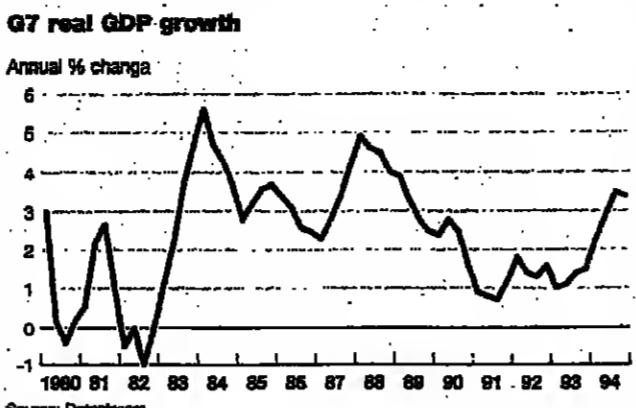
Debate over the world economy was taken further yesterday by the G7 heads of government in what UK officials called a "rich and substantial" discussion.

Mr John Major, the UK prime minister, and Mr Jacques Chirac, the French president, focused on the need to reduce unemployment from its

current level of 22.3m in the G7 countries. Mr Major underlined the importance of structural policies, including greater flexibility in labour markets and the creation of incentives to get people back to work.

Mr Chirac said that jobs were the "beginning and end of policy". The jobs question, which jumped up the summit's list of priorities at the insistence of the French president, will be taken further at a special G7 conference on employment issues to be attended by finance and labour ministers and held in France in the first quarter of next year.

The finance ministers and leaders acknowledged that currency turbulence such as this year's sharp rise in the value of the D-Mark and the yen which followed the Mexican financial crisis could adversely affect growth and jobs.



Mr Chirac described speculation as the "Aids" of the global economy. But there appeared to be no appetite for "quick fix" measures to deal specifically with currencies that "overshoot" on foreign exchange markets. Instead, the

finance ministers reaffirmed their statement of April in which they agreed that exchange rate movements had gone beyond levels justified by underlying economic conditions and that an "orderly reversal" of this year's sharp

gains of the yen and the D-Mark was desirable.

In their separate meetings, the G7 leaders and their finance ministers focused on medium term policies as a way of securing sustained growth as well as eventually curbing turbulence on financial markets.

According to Mr de Silgy, the finance ministers' meeting agreed on the need to reduce budget deficits and control inflation.

Earlier, however, European finance ministers criticised the size of the US budget deficit and the large claim that this was represented on the world pool of savings.

However, Mr Robert Rubin, the US treasury secretary, said the US deficit was the smallest in terms of percentage of gross domestic product of any G7 country.

INTERNATIONAL NEWS DIGEST

Australian tax rise blocked

Australia's federal government suffered a setback yesterday when one of the minor parties in the Senate, parliament's upper house, said that it would join with the coalition opposition to block tax increases of about A\$1bn (545m) over the next four years.

In its May budget, the government announced plans to apply a 12 per cent wholesale sales tax to builders' hardware and certain building materials, and said this would raise around A\$215m in 1995/6. However, the Australian Democrats said yesterday they would oppose this. This means the measure will almost certainly fail to pass in the Senate, where the government does not have a majority. The Democrats have pledged to support the government budget's "bottom line", and said yesterday this was the only significant item in the financial package which they intended to oppose.

Nevertheless, they earned the wrath of Mr Ralph Willis, Australia's treasurer, who described the move as "populist and opportunist".

Nikki Tait, Sydney

More chemical jobs to go

The chemical industry will shed 2.5 per cent of its workforce in western Europe this year, despite output growth of 4 per cent, according to the European Chemical Industry Council.

The industry association yesterday forecast a slowdown in European demand for chemicals as manufacturers completed the rebuilding of their stock levels. It also pointed to the effect of the weak dollar and slower growth in the US on export sales, which were the main engine for growth last year, when output rose by 8 per cent.

These factors would limit price increases from chemical producers, it predicted, although chemicals producer prices were still forecast to rise by 6 per cent this year, compared with 2.5 per cent last year, and zero growth for the four previous years.

A significant recovery in the industry's profitability since the beginning of last year, however, had boosted investment levels which were forecast to rise by 7.5 per cent this year, after four consecutive years of decline.

Profitability would also continue to benefit from production gains, the council said, thanks to technical improvements, restructuring and "drastic cuts in the labour force". The industry cut its workforce by 4 per cent in 1994.

Jenny Luesby, London

Iraq denies army revolt

Iraq yesterday ridiculed US reports that Iraqi military units had exchanged fire near Baghdad and said an officer named as the mutiny leader was not even in the armed forces.

Responding to a US statement that units of President Saddam Hussein's elite Republican Guard clashed near Baghdad on Wednesday but the mutiny was put down, al-Thawra newspaper said: "This statement reflects impetuous wishes rather than reality."

The paper of the ruling Baath party, quoting the official Iraqi News Agency (INA), said reports of fighting between Iraqi army units were "lies" circulated by western media.

The US defence department said on Thursday that clashes involving units of President Saddam's elite Republican Guard took place near Baghdad but the mutiny was apparently put down.

Reuter, Baghdad

US threat to ILO funding

The budget committee of the International Labour Organisation, which is threatened with big funding cuts by the US, has approved a no-growth budget of \$579.5m (2389.1m) for 1996 and 1997. The US, which provides a quarter of ILO funds, voted against the budget.

Under US law, if Washington opposes the budget of any UN organisation it can cut its assessed contribution by 20 per cent. The administration, facing calls in the Senate for the US to cease funding the ILO, has already warned there will be a substantial shortfall in its contribution this year.

The 1996-97 ILO budget broadly compensates for inflation but not for the sharp fall in the dollar against the Swiss franc in which the ILO incurs most of its costs. The ILO's governing body is due to meet at the end of next week to consider a further cost-cutting exercise to cope with this year's expected deficit and a drop in US payments. Frances Williams, Geneva

Spanish growth 'on track'

Spain is on track to meet its 1995 growth target of 3 per cent "or slightly more". Bank of Spain governor Mr Luis Angel Rojo said yesterday. Presenting the bank's annual report, he warned against any delay in cutting the budget deficit, a precondition for lowering inflation and promoting sustained growth. The bank meanwhile announced a Pta45bn (2231m) surplus on Spain's balance of payments current account in the first four months, against a Pta222bn deficit in the same period last year. This was in spite of a 29 per cent increase in the trade deficit.

David White, Madrid

Six years for pyramid fraudster

A Romanian court yesterday convicted of fraud Mr Ion Stoica, head of Caritas, the country's largest pyramid scheme, and sentenced him to six years in jail. A court in Cluj, where Caritas, which attracted around \$1bn (5529m) in deposits, was based, found Mr Stoica guilty of fraud over Leu90m (22,950) in payments due to local authorities. The scheme, which became a national craze, collapsed last year, wiping out the savings of many of the 4m Romanians who had invested in it. In its heyday it gave investors an eight-fold return on deposits. Mr Stoica has been held in a Bucharest jail since being arrested last autumn.

Virginia Marsh, Budapest

GM 'eyeing N Korea plant'

General Motors wants to build a car parts plant in North Korea's Rajin-Songbong free economic and trade zone, Pyongyang's official news agency said yesterday.

During a visit to the communist state last month, Mr Charles Randolph, vice-president of General Motors' Asian and Pacific operations, "expressed great satisfaction at the favourable geographical conditions", the agency said.

It did not say whether North Korea would allow the US car maker to build such a plant. In recent years Pyongyang has cautiously taken steps to attract foreign investment and expand its trade ties with the west.

Reuter, Tokyo

SAS settles pilots pay dispute

A long-running pay dispute with pilots which halted Scandinavian Airlines System (SAS) flights for three days last week was settled yesterday. The Danish, Norwegian and Swedish pilots' unions agreed to a one-year pay increase of 3.5 per cent. They had demanded almost 7 per cent, but the highly paid pilots failed to win public support at the start of the summer holiday season. SAS was also under pressure, especially from corporate customers, to end the disruption. The final settlement was well above SAS's original 1 per cent offer.

Hugh Carnegy, Stockholm

World Bank loan for Hungary

The World Bank has approved a three-year lending strategy for Hungary which could release as much as \$1.8bn (831m) in funding, the country's central bank said yesterday.

World Bank officials said the bank hoped it would reach agreement with the Hungarian authorities for projects in infrastructure, financial and public sector reform, education and environment protection between 1996 and 1998. The approval of the strategy is a boost for Hungary's Socialist-led government which is trying to improve its image with foreign investors after a difficult first year in office.

Some of the World Bank lending is linked to a successful conclusion to talks which began this week with the International Monetary Fund on a long-awaited stand-by arrangement.

Virginia Marsh, Budapest

WTO to work more closely with the IMF

By Frances Williams in Geneva

The World Trade Organisation, the World Bank and the International Monetary Fund have agreed to work more closely on global economic and trade policy issues and to anchor co-operation in a formal accord.

Areas of co-operation envisaged include policy advice to borrower countries, help for economic adjustment to trade liberalisation and global economic analysis and policymaking.

The WTO is also planning to launch a big initiative with the IMF and World Bank to help boost the trade of sub-Saharan Africa. Mr David Woods, WTO spokesman, said yesterday that all three agencies were agreed that Africa had missed out on many of the benefits of trade liberalisation.

The WTO's activities on Africa will be run mainly through the Geneva-based International Trade Centre which it funds jointly with the United Nations Conference on Trade and Development.

The decision to improve co-operation between the three agencies follows meetings this week in Washington between Mr Renato Ruggiero, WTO director general, and his IMF and World Bank counterparts, Mr Michel Camdessus and Mr James Wolfensohn.

Under the terms of the Uruguay Round trade agreements, the WTO is specifically charged with pursuing co-operation with the two Bretton



US threat of sanctions hits output at Japanese car maker

By Michiyo Nakamoto in Tokyo

Mazda is to cut production next month and half exports of luxury cars to the US in response to falling sales there as the deadline for US sanctions approaches.

The Japanese car maker will stop making cars at two factories for four to six days in an effort to reduce high inventory levels in the US. As a result, the company will make 18,000 fewer cars in July than planned.

The reduction follows a 22.5

per cent cut in output in April and May and June because of too high stock levels and the uncertain sales climate for the company before the deadline for US sanctions against Japan.

Mr Kosaku Inaba, chairman of the Japan Chamber of Commerce and Industry, yesterday said it was regrettable that the two leaders did not go into details of the car talks and put off substantive discussions.

Although Japanese business leaders have supported the government's stance, there is an underlying feeling that companies outside the car industry are being penalised by the high yen and the bilateral trade friction over the car issue.

Meanwhile, Japan's transport minister, Mr Shizuka Kamei, proposed yesterday that the US and Japan discuss their aviation dispute in Geneva next week in parallel with the vice-ministerial negotiations planned there on June 22 and 23.

In addition to US sanctions over the car dispute, Japan faces the prospect of US sanctions over the issue of whether US cargo services should be allowed to open several new routes from Japan.

The US has accused Japan of breaching the countries' bilateral aviation accord, which gives US carriers the right to fly to third destinations from Japan, by refusing to allow Federal Express to start 11 new cargo routes to other parts of Asia via Japan.

The Japanese side has argued that the bilateral accord does not reflect current aviation needs and should be reviewed.

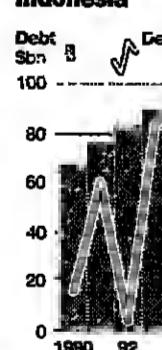
Indonesia warned to clarify bidding procedures

By Manuela Sarogosa in Jakarta

Indonesia must establish a clear competitive regulatory framework for private sector bids for infrastructure projects, to show international lenders that borrowings are being put to efficient use, according to the World Bank.

In its 1995 report on the country, "Improving efficiency and equity - changes in the public sector's role", the bank notes that, in the wake of the Mexico crisis, international investors are increasingly concerned not only with the volume of countries' external borrowings but also with how effectively those borrowings are used.

Indonesia



The World Bank estimates the country's debt service ratio now exceeds 30 per cent. It notes that higher infrastructure spending over the next five years and the financing of other large projects will increase private external debt.

To face this challenge the Jakarta government must improve efficiency and equity by, among other things, establishing a framework to maximise the benefits of private finance by using clear bidding procedures and selecting the bidder "offering the highest payment to the lowest cost to the government".

This would "reduce post-contract renegotiations and charges of favouritism, and increase international interest",

it would also yield direct benefits to the consumer and assure international markets that borrowing is being used efficiently.

Although the World Bank does not cite specific cases, its report makes veiled references to a number of contracts which have been awarded to members of the presidential family without an open tender process.

In its most strongly worded advice, the World Bank warns that "perceptions of unfair dealing and favouritism can threaten the privatisation process and even reform in general".

Despite a cautionary tone, the World Bank commended

Indonesia on its most recent trade deregulation package, which included across-the-board tariff cuts of at least 5 per cent on more than 8,000 products and set out a tariff reduction schedule for the next eight years.

It said the package would improve the efficiency of foreign borrowings "by helping to ensure that private investment goes into more internationally competitive activities". It would also promote growth in non-oil exports, which is necessary to finance debt repayment.

Improving efficiency is as important as further deregulation, according to the report, which says that Indonesia's recent rapid economic growth, averaging about 7 per cent a

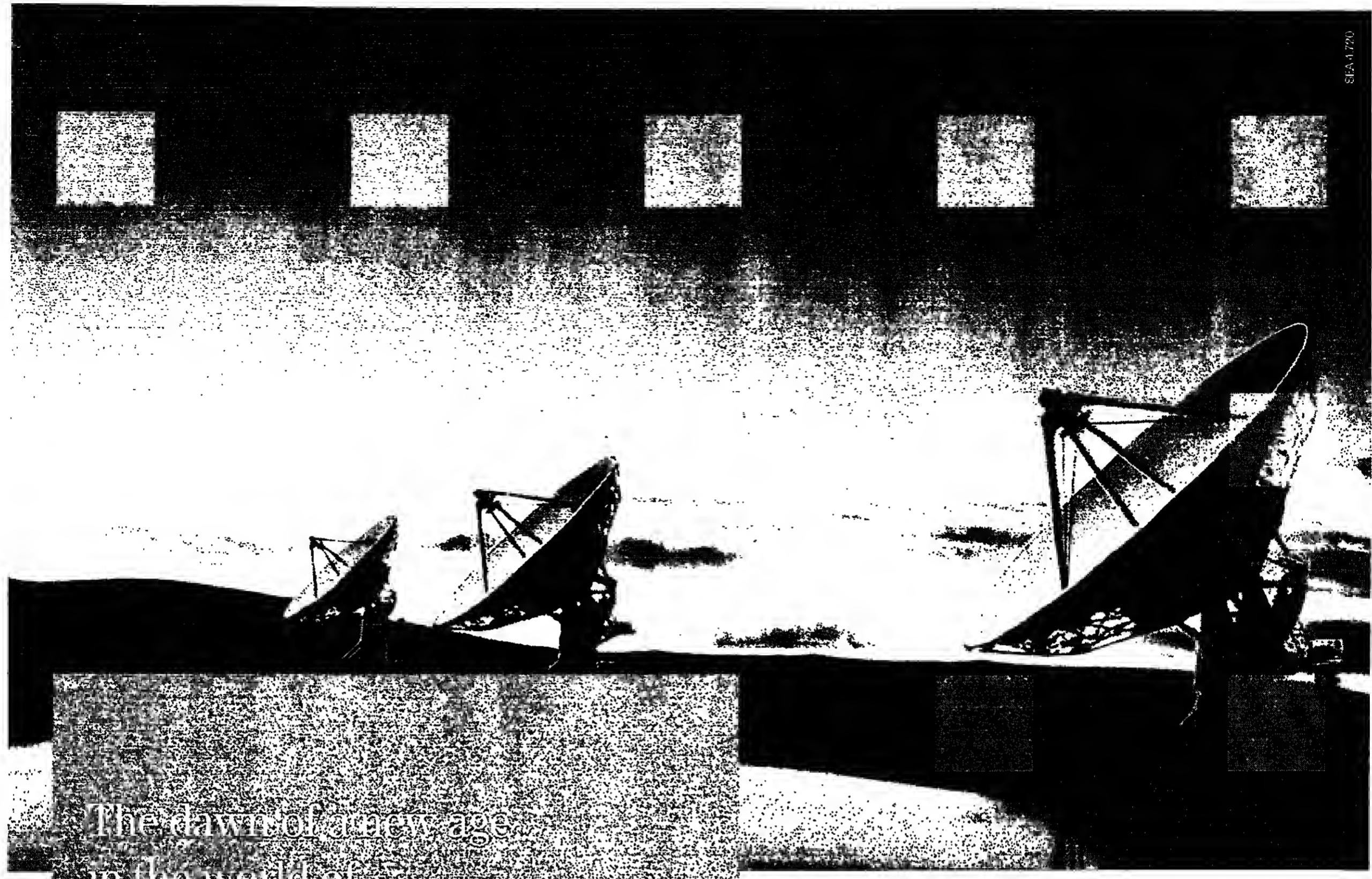
year, is showing signs of overheating.

Inflation was nearly 10 per cent for the second consecutive year last year. And while this year's budget policies were cautious, the budget "appears to be somewhat less contractionary" because of increased personnel spending, the bank said.

This has augmented the need to improve transparency in the government's tendering process to minimise rises in infrastructure spending and foreign and domestic investment.

"Greater efficiency will be critical to generating the non-oil export growth needed to achieve broad-based growth and reduce the debt burden," the World Bank report said.

Emiko Terazono on how earthquake anxiety can get out of hand



The dawn of a new age in the world of telecommunications



Telecommunications made in Germany has long commanded worldwide respect. Many of the innovative achievements paving the way into the information age bear our hallmark. Deutsche Telekom ranks No. 1 in Europe, No. 3 worldwide and, as a stock corporation, can now play an even more enduring role in shaping the course of progress for the benefit of all.



At the beginning of this year Europe's biggest telecommunications player, Deutsche Telekom, made the move from public sector company to stock corporation.

Deutsche Telekom now a stock corporation.

This move opens up a world of opportunity. It not only allows us greater freedom to forge ahead with technological innovation even faster and more effectively in the service of our customers. It also lets us turn progress born of the information age to the advantage of society as a whole. With telecommunications made in Germany we have provided vital stepping-stones on the road to achieving ground-breaking worldwide standards. And we have helped to make the multimedia information society a reality. It was Deutsche Telekom who spearheaded development of the high-performance digital ISDN network and shared in masterminding GSM, the most efficient mobile communications standard in the world today. We were also the first to use ATM, the transmission system which sets the pace on today's Information Superhighway.

Building strength through partnership.

Deutsche Telekom is currently in the process of forging one of the most dynamic global alliances with other international partners. For a host of major national and international concerns operating in as many different fields, we have a great deal to offer when it comes to interactive partnership. With our own branch offices at the hub of key global markets, we create the perfect platform for supplying the full range of state-of-the-art telecommunications technology that knows no frontiers. Our expertise and investment input in Eastern Europe reflects the strength of our commitment in the region, generating a real motive force behind these future markets.

You can share in our success.

Get to know our products and services honed to your special needs and you'll get to feel the cutting-edge of tomorrow's technology. Come join the fast lane to the future.

Our connections move the world.

Deutsche Telekom



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try profits

Yorks Elec chief pay rises 21%

By David Lascelles,
Resources Editor

Mr Malcolm Chatwin, the chief executive of Yorkshire Electricity, received a pay boost of 20.5 per cent last year under a new executive pay scheme which links a part of remuneration to company performance. But he may not get all of that if Yorkshire does poorly over four years.

The company said the increase came in a year when profits rose 45.6 per cent - though this included exceptional items that disguised an underlying rise of 8 per cent. In cash terms, it said, Mr Chatwin received an increase of 2.9 per cent.

Yorkshire yesterday became the first regional electricity company to disclose

details of its new executive pay scheme which does away with discretionary bonuses and share options.

Cash bonuses will be paid to directors if Yorkshire's earnings per share show real growth over the previous year, but will be capped at a maximum of 20 per cent of base salary. Money is also set aside to buy shares for directors, but these are only awarded after four years, based on Yorkshire's performance compared to other RECs.

Mr Chris Hampson, Yorkshire's chairman, said: "Directors will now be rewarded, beyond basic salary, only after shareholders have received increased benefits."

In the 1994-95 period, Mr Chatwin

received a total of £216,900, up from £226,900 the year before. This includes a basic salary of £180,000 plus pensions, benefits and incentives. However £38,000 of the remuneration is a provision for the share incentive scheme which will only be paid if performance criteria are met in 1998.

Both the cash bonus and the provision for the incentive scheme awarded to Mr Chatwin were the maximum permitted under the new arrangements.

Mr Chatwin said yesterday a recent survey had shown he was only the 31st highest paid businessman in Yorkshire, even though he ran its largest company.

The base pay increase for all Yorkshire Electricity staff last year was 2.2 per cent.

Exceptionals boost profits rise

Yorkshire Electricity, the regional power company which has been seen as a potential takeover target, boosted pre-tax profits by 45.6 per cent last year. But the strong result was exaggerated by exceptional items: the underlying improvement was closer to 8 per cent, writes David Lascelles.

In the year ending March 31, profits amounted to £217m (£149m). This included £17m in compensation for Sweden's cancellation of an investment in Stockholm Energi, offset by £2.7m of rationalisation costs.

The previous year was depressed by £23.5m of provisions for redundancies resulting from the cost-saving programme.

Profits growth was helped by a small increase in turnover, and a reduction of 19 per cent in controllable costs. The electricity supply business moved ahead strongly with a 56 per cent increase in operating profit, and distribution earned 28 per cent more.

There was a growing contribution from power generation.

The final dividend is 21.4p, bringing the total for the year to 39.4p. This is not comparable to the previous year because Yorkshire consolidated its outstanding shares during the year.

But the total dividend payout of 55p is 15 per cent up on last year's.

Part of the benefit of higher profits is also being given to

customers in the form of a 3.5 per cent tariff cut.

Yorkshire says its prices have fallen by 15.7 per cent in real terms since 1991.

Mr Malcolm Chatwin, the chief executive, said yesterday that Yorkshire would await the outcome of the current price review before deciding how future profits should be shared with customers.

"We're looking for something demonstrably fair and sustainable," he said.

Following the cancellation of the Swedish deal and the recent decision to pull out of electrical retailing, Yorkshire will concentrate on its core businesses of electricity supply and distribution, power generation and gas supply.

• COMMENT

Yorkshire became a potential takeover target when neighbouring Northern Electric was bid for last winter. Swiss Bank Corporation still has a 5.3 per cent stake, and management clearly feels it must deliver quick results to stave off the predators.

Yesterday's figures were flatlined by exceptions, but still showed a healthy growth in core business areas as well as further progress in the management of costs. Future profits will depend on the outcome of the price review, but the company is gearing up to deal with that. The shares were off 5p at 708p in a weak market.

Both sides in the current deal talks are heavily influenced by Deutsche Bank's gradual takeover of UK investment bank Morgan Grenfell, where Mr John Craven has remained chairman since the initial deal in 1992.

There are discussions too on a package of financial incentives like that enjoyed by Morgan Grenfell executives.

The scheme would replace Kleinwort Benson's existing bonus arrangements, encourage key staff to remain with the new entity and thus preserve the value of a business whose main assets are people.

Another key issue is the Kleinwort Benson name. Dresdner is believed to be sensitive to the need to preserve the Kleinwort Benson identity, at the very least in markets such as the UK where it commands strong recognition from clients.

The talks, and Dresdner's due diligence investigation of Kleinwort's accounts, appear to be proceeding smoothly and negotiators believe they are in a position to agree detailed terms next week.

Kleinwort's share price closed at 713p, down 6p, indicating a belief among investors that the deal will take place close to the indicated price of about 724p per share.

The issue expands the group's share capital by 14.3 per cent.

All the 9.25m new shares have been placed conditionally with institutional shareholders, subject to the rights of qualifying shareholders.

Mr Charles Batten, director at Kleinwort Benson Secur

Enviromed shares dive amid provision fears

By Tim Burt

Shares in Enviromed fell almost 40 per cent yesterday after the biotechnology and healthcare group confirmed that its half-year profits would be significantly below market expectations.

The shares closed down 31p at 49p amid fears that the company was planning big provisions to cover an abortive attempt to set up a new subsidiary and its failure to resolve a US patent dispute.

Sir Geoffrey Allen, chairman, said the provisions would result in a loss at the halfway

stage. "The market was expecting profits of about £1m. But it's not quite as gloomy as the share price looks."

Enviromed was said to have been aware of the problems for about three weeks. The largest single shareholder, however, said he had been assured recently that the problems had been virtually resolved and expressed disquiet at the company's announcement.

Mr Peter Townsend, a former deputy chairman of the company whose family holds a 22 per cent stake, said: "Why make substantial provision if it's all about to be resolved?"

Acorn issues warning on first-half result

By Paul Taylor

Shares in Acorn Computer, the UK-based computer manufacturer majority owned by Olivetti of Italy, fell by 24p to 90p yesterday after the company warned that its personal computer business "continues to experience difficult trading conditions which will adversely affect results in the traditionally weaker first half".

In February Acorn raised £17.2m in a 1-for-3 rights issue at 80p to finance expansion into the interactive multimedia market through its Online Media division. Olivetti did not

take up its rights and its stake has fallen from 78.5 per cent to 58.9 per cent.

The group, which reported a pre-tax loss of £24m for 1994 after a £15.6m profit in 1993, is to invest £13m over three years in its Online Media division. Online has developed a digital "set-top box" which can deliver services to the home via a television set. Yesterday Acorn also announced Online Media had won a contract to supply its set-top boxes to the California-based Lightspan Partnership. Lightspan plans to provide interactive programming to US schools and homes.

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Kleinwort top job changes unlikely

By Nicholas Denton

Dresdner Bank of Germany is prepared to leave the top management of Kleinwort Benson largely untouched if the UK investment bank accepts its offer of about £296m.

Lord Rockley, Kleinwort's chairman, is expected to remain, as is Mr Simon Robertson, deputy chairman and leader of the Kleinwort team negotiating with Dresdner.

Kleinwort and Dresdner

have indicated that they will not follow the example of the takeovers of Barings and S.G. Warburg, the two UK investment banks bought by continental European banks this year.

Dresdner is not seeking to impose control in the manner of Swiss Bank Corporation, which brought over Mr Marcel Ospel to chief executive of S.G. Warburg, or Internationale Nederlanden Groep, which inserted Mr Hessel Lindeberg as chief executive of Barings.

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Mr Charles Batten, director at Kleinwort Benson Secur

T&N faces setback in bid for German piston maker

By Tim Burt in London and
Judy Dempsey in Berlin

T&N, the motor components group, was yesterday told that its DM232.6m (£125m) takeover bid for Kolbenschmidt, one of Germany's leading piston manufacturers, was anti-competitive and likely to be rejected by the country's cartel office.

The take-over authorities,

which in February issued a similar warning, said in a preliminary ruling that the proposed deal would give the UK group an unfair dominance in the components market.

A final ruling is expected in mid-July and T&N has until July 13 to respond to yesterday's ruling.

Cartel officials are concerned that the acquisition would strengthen the grip of Goetz in the German piston ring manufacturer acquired by T&N for DM250m in 1983.

In the market for piston rings, the merger would increase the already existing dominant position of T&N with Goetz, and it would also create a dominant position in the market for steel and plastic slide bearings, the cartel office said.

"We're certainly not giving up. We still want to buy the company," said Mr Colin Hope, chairman.

He claimed the proposed deal



had won support from all the big motor manufacturers, including Mercedes-Benz, BMW and Ford, and warned that T&N would step up its component operations in Germany even if it was forced to abandon the Kolbenschmidt bid.

"Those companies prefer to deal with a few big suppliers and we have a number of options to achieve that aim."

That strategy has been a central plank of T&N's effort to expand away from its former role as Britain's largest asbestos producer, when it was known as Turner & Newall.

Some City analysts, however, have criticised the proposed take-over - arguing that it would put pressure on T&N's balance sheet by lifting gearing to an estimated 90 per cent.

Kolbenschmidt said the cartel office's decision confirmed its view that the offer by T&N would not be permitted.

Mr Hope said T&N would hold talks with the cartel authorities, at which it hoped to change its mind.

Shares in the UK company closed down 4p at 186p.

Scotia to call for £33.5m

By Motoko Rich

Scotia Holdings, the pharmaceutical company, is raising £33.5m to fund an expanded research and development programme.

Shares in the group rose 18p to 189p as the market reacted to the 1-for-7 open offer for existing shareholders at 380p a share.

These shares, except for 10,000 which are reserved for employee subscriptions, have been placed on a firm basis with institutional investors.

Mr David Horrobin, chief executive, said the placing would raise the group's total cash position to £50m.

The group currently spends £16m a year on R&D, and expects to expand this to £20m

by 1998. The money would be used to fund research and development of the group's six priority projects and 16 pipeline drugs. It intends to intensify investment in its photodynamic cancer treatment and to use some of the funds raised to increase its manufacturing capacity.

Mr Horrobin said: "There is cash for two and a half years."

"However, over the last three years we have brought in about £25m in licensing deals and we have a much stronger portfolio than we did three years ago so we would expect a number of substantial licensing deals to come through. In that case the money could last 3½ to 4 years."

Campari unveils loss and rescue package

By Geoff Dyer

Campari International, the sportswear and leisure company that has had its shares suspended since early January, unveiled a rescue refinancing package yesterday.

Mr Pelham Allen, who took over as executive chairman in February, said Campari was still "living on borrowed time" and warned shareholders if they did not approve the package at the July 10 EGM, the group would become insolvent.

At the same time the group announced pre-tax losses last year of £7.65m, against losses of £2.61 in the year before.

The main plank of the refinancing is the issue of £2.7m of convertible loan stock. Wing Tai Exporters, part of the Hong Kong group which is Campari's largest shareholder, has agreed to subscribe £688,000, with the rest being taken up by the

three other large shareholders and five members of senior management. Mr Allen said it had not been possible to obtain conventional underwriting due to the group's losses.

FMN Finance House, a Dutch factoring company, has agreed to provide a £1.25m (£10m) debt factoring facility.

A short-term banking facility for letters of credit has been agreed with ABN Amro, the Dutch bank, until October 31.

Mr Allen said the loan stock funds would be used to cover £1.4m of bank debt.

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INTERNATIONAL COMPANIES AND FINANCE

Nokia registers 85% advance at four-month stage

By Hugh Carnegie
in Stockholm

Shares in Nokia shot up 9 per cent yesterday after the fast-growing Finnish telecommunications group reported it had almost doubled profits in the first four months of the year.

Pre-tax profits in the period hit FM1.8bn (£416m), compared with FM969m in the same period last year, and well ahead of market expectations.

Nokia A shares leapt up by FM19 on the day to close at FM223, a new high for a stock that has risen by more than 20 times in value since 1992. The weight of trading in Nokia, whose shares account for about 30 per cent of the value of the Helsinki Stock Exchange, pushed up the Hix Index by 2.43 per cent.

The four-month figures confirmed the continued success of Nokia's drive into mobile telephony, where it has become the world's second-largest supplier of mobile telephone handsets after Motorola of the US. Group sales in the period rose 48 per cent to FM11.4bn, from FM8.56bn while operating profits jumped to FM1.78bn from FM8.4m.

Mr Jorma Ollila, chief executive, said he expected profits to continue growing, although

Enso-Gutzeit profits more than doubled in first term

By Christopher Brown-Humes
in Stockholm

possibly not as fast as in the first four months. "One has to be cautious because even if the market growth in our sectors seems to continue to be positive, there will be increased competition."

The mobile telephone division provided the fastest sales growth as Nokia pushed ahead with sales in the US and Japan, two of its fastest growing markets. The unit's sales rose to FM4.67bn from FM2.67bn. The telecommunications division, which produces infrastructure for fixed and mobile systems, lifted sales to FM2.8bn from FM1.9bn.

As competition increases, some analysts see Nokia and its competitors being squeezed by lower profit margins. But Mr Ollila said Nokia had so far seen "very little of that happening". Nokia's estimates for the growth in the worldwide mobile telephone market matched those of Ericsson, its Swedish rival, which expects subscriptions to reach 350m in 2000 from less than 60m now.

Nokia said it was combining its consumer electronics and cable operations - its only remaining non-telephony businesses - into one unit which it would seek to link closely to telecommunications, chiefly through multimedia products.

Wallenberg company to sell stake in Wabco

By Christopher Brown-Humes

Incentive, an important company in Sweden's Wallenberg family empire, is tying up a loose end from last year's purchase of the investment group Cardo through a \$93m initial public offering for Westinghouse Airbrake Company (Wabco), its US associate.

Incentive acquired a 50 per cent stake in Wabco through the SKr80m (\$1.1bn) Cardo purchase but the holding was never strategically important.

The IPO, accompanied by a listing on the New York Stock Exchange, involves the issue of

7m shares, equal to 25 per cent of Wabco, at \$14 each. Proceeds will be used to repay a \$74m loan to Incentive and reduce Wabco's debt. Incentive's stake in Wabco will fall to 35 per cent, with a further cut in ownership expected next year.

Incentive acquired Cardo to gain control of Gamdro, a fast-growing Swedish medical equipment specialist. Most of Cardo's other holdings have already been sold. Wabco has 50 per cent of the North American market for brake systems and other train equipment. Last year it made \$62m pre-tax profits on sales of \$344m.

Enso will rank as Europe's third largest pulp and paper group, with sales close to FM30bn, once its tie-up with Veitsiluoto is complete. The government-engineered merger, announced last month, will strengthen the two companies' fine paper and magazine paper operations. The state will hold a significant stake.

There is no immediate successor lined up and Mr Ian

COMPANY NEWS: UK AND IRELAND

J Smurfit buys 29% of Swedish paper producer

By John Murray Brown
in Dublin and Hugh Carnegie
in Stockholm

In its first move into Scandinavia, Jefferson Smurfit, the Ireland-based paper and packaging group, has paid SKr800m (about £65m) for a 29 per cent stake in Munkjö, a listed Swedish paper company.

The deal, signed on Thursday, is a rare example of a foreign concern penetrating the Swedish paper industry.

Munkjö, a niche-oriented manufacturer selling mostly in Sweden and Norway, produces about 350,000 tonnes of bleached pulp, hygiene products, specialist paper corrugated sheet and board. Its main

product is bleached pulp, with capacity of 150,000 tonnes.

Smurfit has traditionally not been a big pulp producer. However, with the acquisition of the Condat mill in France last year, analysts say Smurfit is looking to secure pulp supplies for its white paper production at a time when pulp prices have been rising.

The stake was acquired from Trelleborg, the mining and metals group which for the past two years has been restructuring its business to concentrate on its core activities.

Mr Michael Smurfit, chairman, said the acquisition was a "significant step in our strategy for our European

operations". Mr Kjell Nilsson, Trelleborg managing director, said the acquisition provided Munkjö with "a shareholder with first-class competence within Munkjö's business areas".

Munkjö earned net profits of SKr276m in 1994 on turnover of SKr3.3bn. Operating profit increased 63 per cent in 1994 to SKr36m on the back of higher prices for pulp and increased sales volume.

Smurfit said it had no plans to increase the Munkjö stake. Until 1993, Munkjö was controlled by Trelleborg, which owned about 75 per cent of the company. Smurfit said it hoped to inherit Trelleborg's two seats on the Munkjö board.

£25m provision leaves Hardy Oil £27.7m in red

By Robert Corrigan

Hardy Oil & Gas yesterday announced an after-tax loss of £27.7m for the year to the end of March, because of a "strategic refocusing" of the UK independent exploration and production company and lower turnover.

The loss compares with a previous profit of £23m.

Mr Douglas Baker, chairman, said he was confident that the strategic refocusing of the company under Mr John Walmsley, its new chief executive, would help "accelerate an early return to profitability."

A £25m provision was made to cover the cost of the strategic realignment and planned asset disposals. The exercise includes the company's withdrawal from the Netherlands, Libya, Namibia, and Algeria. It could also involve the sale of all of Hardy's Canadian operations, which Mr

Walmsley said would require the commitment of "a lot of financial resources in order to be meaningful".

In future, the company will concentrate on the US, the North Sea, Pakistan and Australia. But Mr Walmsley said Hardy might also consider South America, where there were good exploration prospects combined with fast-growing markets.

Planned disposals included the sale of Hardy's interest in the Forth field operated by British Petroleum in the North Sea. Further asset disposals are planned, according to Mr Walmsley.

Turnover was down to £251m (£261m) because of lower volumes and falling gas prices in the US. Adverse exchange rate movements accounted for £3.3m of the loss. Operating loss was £19.3m, against a £12.9m profit, and loss per share was 24.5p (7.8p earnings). An unchanged 1p dividend has been recommended.

Trio tumbles £3.2m into loss

The deficit for the six months to March 31 (£1.45m profit) included redundancy costs of £800,000. Mr Hagan said that although turnover appeared static at £48.2m, there had been a decline because the 1994 figure did not include a full contribution from Kobayashi in Tokyo. If that had been included, the 1994 figure would have been £52m.

The chairman said turnover had fallen because global trad-

ing volumes had declined and treasury operations of Trio's customers had been constrained.

He said Trio had moved to cut costs last year, and sharply increased that programme in February "to meet the uncharactertistic but material volume reduction in global Treasury and foreign exchange activity". The group had shed 15 per cent of its staff.

The shares rose 3p to 12p.

SGB to move quickly over planned revamp

By Andrew Jack in Paris

Société Générale de Belgique, the Belgian holding company controlled by Suez, the flagships industrial and financial holding company, is to move swiftly to seek shareholder approval for a restructuring of the two groups.

The group said yesterday that it had already achieved approval from its other shareholders for a new structure designed to increase its independence, and now needed to move quickly to seek the views of Suez's investors to "avoid losing face".

The comments came as Viscount Etienne Davignon, chairman of SGB, confirmed in an interview in the Belgian press that the two groups were discussing a new structure to control their joint assets in a partnership, each with equal control.

He stressed that there were no plans formally to merge the two groups, but appeared keen to see the 63 per cent control



Etienne Davignon: Suez and SGB in talks on a new structure for partnership control of joint assets

the change could happen regardless of any other restructuring that takes place, such as an investment in Printemps Redoute, the French retail group. Mean-

while, Suez stressed its commitment to Indosuez, its banking arm, after widespread speculation that it might be up for sale. Mr Gerard Worusz, Suez chairman, told shareholders on

Wednesday that the group might seek an external partner to help finance the bank.

Moody's, the credit rating agency, said yesterday that it was maintaining its long-term A2 status for the bank, but changing its outlook to uncertain because of the questions over its future.

The board of Suez is discussing when it will hold an emergency board meeting to discuss strategy before the next formal meeting, originally scheduled for September.

Mr Davignon told the *Libre Belgique* newspaper that the new structure - if approved - was unlikely to involve a new corporates holding company, but rather a partnership along the lines of those used by Unilever, Shell, ABB or Ford.

SGB said yesterday it believed the new structure would simplify the organisation of the two groups, develop closer relations between the assets, cut costs and improve management with the aim of boosting shareholder returns.

Mayne Nickless chief quits after 'differences with board'

By Nikk Tait in Sydney

Mr Jukka Härnäla, chief executive, predicted demand for pulp, paper and board would continue to grow during the next few months. "Virtually all production capacity will be in use and further price rises are expected," he said. But he warned that the low value of the Swedish krona was holding back profits, particularly for liquid and food packaging boards and sawn goods. This might force the sawmilling industry to cut output in the second half.

Mr Härnäla said Enso's full-year figures would be "significantly better" than last year's FM1.58bn.

Enso will rank as Europe's third largest pulp and paper group, with sales close to FM30bn, once its tie-up with Veitsiluoto is complete. The government-engineered merger, announced last month, will strengthen the two companies' fine paper and magazine paper operations. The state will hold a significant stake.

There is no immediate successor lined up and Mr Ian

Webber, the company's chairman, will take over the reins until a new managing director is found. The board said that an extensive search, outside the company, would take place immediately.

Mr Bytheway has been with Mayne for 27 years, but came under fire last year from the Trade Practices Commission, Australia's anti-trust watchdog, for his role in a price-fixing cartel alleged to have been operated in the express freight industry for nearly 20 years by Mayne, TNT and Ansett.

After TNT settled with the TPC, Mayne also withdrew its defence against the allegations, and paid A\$7.7m to settle the matter. Mr Bytheway was ordered to pay \$40,000 for what the TPC said was his "central role in directing senior executives to continue to abide by the price-fixing cartel". Mayne, however, vigorously denied many of the TPC allegations, including those concerning Mr Bytheway, and the board pledged full support.

Last year's profit improvement was partly attributed to a restructuring begun in 1993. More recently, doubts about

the wisdom of the company's A\$120m investment in Optus, set up as Australia's second telecommunications carrier in 1992, have clouded the share price. Optus' fortunes have been bound up with the complex pay-TV saga in Australia, and its plans for a stock-market float are now unlikely to come to fruition before late 1995.

Meanwhile, in its latest profit warning, Mayne has talked of continuing problems with its Loomis armoured car division in the UK - which it said had been "experiencing a fiercely competitive environment that had placed pressure on revenues and margins".

It has also acknowledged start-up difficulties with new warehousing in Europe, where it has been trying to build a logistics operations. Australian transport operations have also been affected by industrial stoppages and major floods in Western Australia.

Last year's profit improvement was partly attributed to a restructuring begun in 1993. More recently, doubts about

Pechiney cuts debt with sale to Paribas

By Andrew Jack

The French government yesterday authorised the partial sale of Carbone Lorraine, the industrial components company, to Paribas, after "a deal of principle" was agreed between the two parties.

The sale is designed to help reduce the debt of its current majority shareholder Pechiney, and Uginam, division, one of the biggest international producers of permanent magnets, for a total of FF1.85bn.

The effect of the sale is to reduce the debts of Pechiney by more than FF1.1bn to FF2.41bn, and to correspondingly reduce its shareholders' funds by FF1.205m (A\$1.4m), in which it will form part of the group's portfolio of industrial and other corporate investments.

The commission which met on June 6 judged that the Paribas offer was fair, after estimating that a minimum acceptable total value for Carbone Lorraine would be FF1.935m. Paribas' offer values the company at FF1.94m.

The transfer of the shares to Paribas reduces Pechiney's

stake from 61 per cent to 40 per cent. At the same time, Carbone Lorraine's capital is to be increased by between FF1.200m and FF1.250m, subscribed to in proportion to their shareholdings by Pechiney and Paribas.

As part of the deal, Pechiney, sells to Carbone Lorraine its Uginam division, one of the biggest international producers of permanent magnets, for a total of FF1.85m.

The effect of the sale is to reduce the debts of Pechiney by more than FF1.1bn to FF2.41bn, and to correspondingly reduce its shareholders' funds by FF1.205m (A\$1.4m), in which it will form part of the group's portfolio of industrial and other corporate investments.

Earlier this year, when details of the sale were announced, Carbone Lorraine also said it was to buy Dietrich, a German manufacturer of components for electrical appliances with annual sales of about FF1.85m.

Carbone Lorraine, which operates in 33 countries, gave turnover in 1994 as FF1.21bn, and Uginam FF1.345m.

COMPANY NEWS: UK AND IRELAND

Management buy-in tipped for Alcan's UK portfolio

By Kenneth Gooding,
Mining Correspondent

Mr Ian McKinnon, who with five colleagues made a fortune by buying and selling Leyland Bus in the 1980s, is among the potential buyers of the portfolio of UK assets put up for sale recently by Alcan, the Canadian aluminium company.

Takeovers seem likely to increase as larger groups fill gaps in national branch networks. Smaller operators are likely to find it increasingly difficult to compete with the purchasing power and sophisticated distribution systems of larger chains.

More than 600 builders' merchant companies last year shared an estimated turnover of £7.8bn. Competition is tough, with smaller businesses most at risk.

Merchants' sales volume are estimated to have fallen by about 4 per cent in the first five months of this year compared with the same months last year according to the industry, which blames the decline on depression in the housing market.

The acquisition trail that began in 1988 with the merger of Travis Arnold and Sandell Perkins, to create Travis Perkins - followed within weeks by the purchase of UBM by Meyer International, which owns Jevson - is continuing.

On Wednesday Graham Group, 15 months after it floated from BTR the industrial conglomerate, announced it had agreed terms to acquire Erit which has been in business since 1947. The deal worth £51.1m will make the merged group the second largest selling builders' merchant with an annual turnover of more than £500m behind Wolsley with annual sales of almost £300m.

Other recent acquisitions have included the purchase last year for £41.8m by Travis Perkins of Keyline, a builders' merchant with an annual turnover of £180m. "This would be a good outcome for Alcan."

Although funds would be provided by several organisations - including Morgan Grenfell Development Capital and CVC Capital Partners as well as Mercury - the deal would have "the characteristics of a management buy-in," according to Lazards, and management participation could be expected.

It was also reasonable to assume that the management might wish eventually to float the group. The group had shed 15 per cent of its staff. The shares rose 3p to 12p.

RATIONALISATION SO FAR

- Oct 88: Travis Arnold and Sandell Perkins merge to create Travis Perkins.
- Dec 88: Meyer International, owner of Jevson, acquires UBM in asset swap with Norcros.
- Jan 90: CRH, Irish company which owns Keyline, pays £30m for Coalfit Building Supplies.
- May 90: Harrison & Crosfield, owner of Harcros, buys Cross

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The board of
will be
before the
next week.
The [investment]
driven rally was
impressive because there
was also heavy selling from
the producers, which was absorbed
very easily," a dealer told the
Reuters news agency.

WEEK IN THE MARKETS

Gold looks for more gains

Gold's modest rise this week left the market well placed for further gains, London traders said yesterday.

The price closed near to a five-week high at \$380.30 a troy ounce, up 50 cents on the day and \$2.10 on the week.

"The [investment] fund-driven rally was particularly impressive because there was also heavy selling from the producers, which was absorbed very easily," a dealer told the Reuters news agency.

After an afternoon "fixing" in London at \$391.30 an ounce, some traders had expressed concern about a lack of follow-through buying in early New York dealings, which they said left the market vulnerable to a "typical Friday afternoon sell-off". Having managed to hold above the psychologically important \$380 mark, however, one said the market looked "set for another move next week" - possibly challenging resistance in the \$386 area.

Various explanations were offered for the fund's newfound enthusiasm for gold. One reason was a growing expectation of a US interest rate cut; a New York analyst was quoted by Reuters as saying that talk was now focusing on whether the cut would be 25 or 50 basis points. Other suggestions included rising commodity prices; the top-heavy appearance of stock and bond markets; falling gold output and strike worries in South Africa; and hardening opposition at the G7 meeting to a plan to sell international Monetary Fund gold to aid poor nations.

The London Metal Exchange copper market was also buoyant yesterday morning, though the mood became less bullish later. An accelerating rally lifted the three-month delivery position to a 4½-month high of \$2,887 a tonne at one point; but by the close profit-taking had chipped away at the

day's gains, taking the price down to \$2,870.50, up \$37 on the day and \$86 on the week.

The market's early strength yesterday was encouraged by news of another sizeable fall in world-wide LME stocks, despite a further big delivery into its Singapore warehouse. But there was disappointment that a challenge of resistance at \$3,000 was not mounted.

Other base metals followed copper's lead. After registering another big stocks fall aluminium

rose 1.5% to \$1,792.30 a tonne. Previous high: \$1,771.20. AM Official: 1749-50. Korb close: 1788-89. Open int: 105,487. Total daily turnover: 51,449.

LME WAREHOUSE STOCKS (in tonnes) (most recent)

Aluminium 17,459 to 17,214. Copper 1,100 to 1,050. Lead 500 to 254,000. Zinc 1,225 to 1,205. Tin 18,385.

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FINANCIAL TIMES

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Saturday June 17 1995

The threat to Mr Major

Like alcoholics seeking salvation in another drink, Conservative MPs this week have relinked the threat to Mr John Major's leadership. It is too early yet to judge how long the latest paroxysm will last. The prime minister's allies, however, now acknowledge the possibility that recalcitrant back-benchers will force a contest in November.

For observers of this extraordinary tableau one of the more difficult tasks is to separate the despair from the delusion. As they stare into the electoral abyss, with opinion poll ratings lower than any on record, an air of panic on the Tory backbenches is understandable. But those arguing that a change of leader is the way to restore the standing of a divided government and an embittered party display a capacity for self-deception and a notable disregard for the electorate. Mr Major, whose prospects played a pivotal role in the 1992 election victory, is the symptom rather than the cause of the problem.

The danger to Mr Major comes from two groups. There are first the Eurosceptics, roused again this week by Lady Thatcher's broadside against her successor's willingness to negotiate with his EU partners. They put their central demand directly to the prime minister in an ill-tempered meeting at the Commons on Tuesday. Unless he is willing to rule out participation in a single currency during the next parliament, they are ready to trigger a leadership contest. Rightly, Mr Major rejected the demand. It would be folly now to give up the "each-way" bet Britain secured in its opt-out from economic and monetary union.

The sceptics have the numbers to initiate a challenge, but can be successful only with the support of a second group - the MPs in relatively marginal constituencies who fear that under the present leadership they are certain to lose their seats. As the government lurches from crisis to crisis, many in this group are now lending their support to idea that Mr Major should be replaced.

Awkward contradiction

Both groups see Michael Heseltine as the most likely successor. For the Eurosceptics this involves an awkward contradiction. Mr Major is a pragmatist in his policy towards Europe; Mr Heseltine is committed to sustaining Britain at the heart of the EU. The sceptics' rationalisation is that Mr Heseltine would have to strike a bargain with their standard-bearer in the cabinet, Mr Michael Portillo; there could be no agreements with the EU before the next election. They would expect Mr Heseltine to lose that

election less badly than Mr Major. Mr Portillo would become leader of a Eurosceptic opposition.

Those whose main fear is the loss of their seats see other reasons for supporting Mr Heseltine: he would promote more decisive leadership, would take the political fight back to Mr Tony Blair, and would be more populist in his approach to the economy and taxes. The Conservatives' might well lose the election anyway, but as individuals, they would have a better chance of clinging on to their seats.

Flawed analysis

The anxiety of such MPs is understandable, their analysis is flawed. Mr Major is not responsible for the mixture of exhaustion and panic that infects his party. This comes from the hubris of 16 years in power, from the wounds inflicted by Margaret Thatcher's departure, and from the divisions over Europe. Similarly, the allegations of sleaze and misgovernment which beset his administration, reinforced by the latest difficulties faced by Mr Jonathan Aitken over arms sales to Iran, have their roots in the Thatcher era.

The populist measures being promoted by senior backbench MPs sound attractive but would not deliver political salvation. Generous tax concessions for homeowners and married couples, along with reductions in the basic rate of income tax would only fit in a dash-for-growth strategy. Many of his potential supporters believe Mr Heseltine would risk the consequences. They ignore the pressure on any prime minister to observe the anti-inflation framework agreed with the Bank of England and the power of the financial markets to punish fiscal or monetary irresponsibility.

The reality is that the present economic strategy, outlined again this week by Mr Kenneth Clarke in his speech at the Mansion House, remains the government's best chance of clawing back the trust of the electorate. Steady non-inflationary growth, perhaps accompanied by modest tax cuts, may not be enough to win the election. But it offers the only worthy prospectus.

The outlook for the government is far from bright. Many of its ministers think it will lose the election. But a leadership contest would serve only to expose still more vividly the divisions and bitterness which have contributed so much to its unpopularity. Mr Heseltine, like Mr Major, would find it impossible to bridge the fault-line over Europe. Like the alcoholic, the Conservative party will recover only if it decides it wants to. Choosing another leader would be as efficacious as opening another bottle.

The reality is that the present economic strategy, outlined again this week by Mr Kenneth Clarke in his speech at the Mansion House, remains the government's best chance of clawing back the trust of the electorate. Steady non-inflationary growth, perhaps accompanied by modest tax cuts, may not be enough to win the election. But it offers the only worthy prospectus.

The latest offensive catches the UN's 23,000-strong mission in Bosnia at a low ebb in the credibility of its effort to mitigate suffering and preserve a minimum of stability.

Renewed fighting has raised hopes for the Bosnians and problems for Nato and the UN, say Bruce Clark and Bernard Gray

At the mercy of military logic



The UN's role as an escort of humanitarian aid - the main justification for its presence - was called into question in recent days when the Bosnian government started driving food convoys over the lethally dangerous Mount Igman route into Sarajevo because the UN had nothing to do with it. And with Washington, where the US administration failed to persuade Congress to provide any funding.

Now there is a danger that delicate diplomatic stitching could be unravelled by an abrupt deterioration of the situation on the ground, which will alter the political climate in all the capitals involved. If this happens, the Bosnian government, which has long been exasperated by the UN's interpretation of impartiality, may not be pleased.

The Bosnian leadership has been alarmed by the signs that the UK, France and the UN secretariat are inching back towards a patchy, but working relationship with the Bosnian Serbs.

One such sign was the revelation that at the height of the hostage crisis, General Bertrand Janvier, the French commander of all UN forces in former Yugoslavia, had a secret meeting with General Ratko Mladic, the Bosnian Serb commander. Another worrying sign - from the Bosnian government's point of view - was the resumption of apparently cordial relations between the UN and the Serbs over food convoys to Sarajevo and other UN-protected safe areas.

Faced with these indications of

whether or not to withdraw by early August if troops are to be evacuated before the snows arrive.

The optimists disagree, and claim that Nato's withdrawal plan can be used at any time of year. "This is not a plan which will only work at 70 degrees in the shade," says one Nato official in Brussels. "If we have to, we can pull them out at any time of year."

If it is really true that the seasonal factor can be discounted, the UN may struggle on until at least next summer. But such optimism will be tested if large numbers of UN soldiers are killed in crossfire, or face unrelenting hostility from one or both sides.

Those governments with troops

on the ground will have to

decide whether to be drawn further into the conflict, or to pull out.

Nato's plans for running the withdrawal operation are coming together and General George Joulwan, Nato's supreme commander, is due to report to the Nato council on Wednesday. Nato officials say that a full plan for any withdrawal should be finally agreed at a council meeting on June 28. Serious issues remain to be resolved, including whether the UN or Nato should bear the cost of the \$2bn operation, and who should have command of the withdrawal force.

If the withdrawal swings into action it can follow one of two paths. The emergency plan would use helicopters to lift UN personnel out with only the equipment they could carry, to the port of Split and the aircraft carriers lined up in the Adriatic. The reinforcements being sent to Bosnia would be very useful in such an operation and would form the backbone of any emergency exit force.

The more stately main plan calls for a rapid reinforcement by airborne troops once the decision to withdraw is announced. These forces, including paratroopers, would protect UN personnel in Bosnia until a main evacuation force arrived over several weeks. Some 60,000 troops would be used in the main force, including the two main contingents of 25,000 US marines and almost 20,000 British troops. They would secure supply routes from the port of Split on the Adriatic to Sarajevo.

The Allied Rapid Reaction Corps, Nato's main mobile force, would then set up headquarters near Sarajevo, pull all of the ground forces and heavy armour in central Bosnia together and establish convoys to move to the coast. UN troops in outlying pockets such as Srebrenica and Zepa would have to be airlifted to the Sarajevo HQ. The convoys would be accompanied by engineers to defuse mines and repair bridges, and would be protected by massive Nato air power from US F-15 and F-16 jets, and UK and German Tornado fighter bombers.

In London, at least, there are senior defence officials who believe the UN mandate is not yet hopelessly compromised. They stress that the UN's role is to provide humanitarian aid and not to get sucked into the fighting. On this analysis, the UN can "roll with the punches" when fighting flares up and wait for the situation to calm down again before it renew its aid convoys with the grudging consent of all sides. Those who argue that the UN should simply "hang loose and wait for everything to die down" would add there is no immediate pressure to make a decision on withdrawal.

Some British officials have said that the UK would have to decide

MAN IN THE NEWS: Lindsay Owen-Jones

Sweet smell of success

The scent that Lindsay Owen-Jones, chairman and chief executive of L'Oréal, the world's largest cosmetics group, wants in his nostrils this weekend has nothing to do with perfume. It is the scent of victory.

For Owen-Jones, there is no heavier fragrance than the mingled odours of hard-working engine oil, glowing carbon disc brake pads and sweat seeping through layers of fireproof clothing. That will be especially true tomorrow afternoon if his McLaren F1 GTR sports car is in the lead when the chequered flag signals the end of the Le Mans 24-hour race.

For a middle-class, Oxford-educated Englishman still faintly astonished by his own rise at L'Oréal - his career there began 25 years ago selling shampoo around Normandy - victory at Le Mans would be a personal triumph in a life already crowned by business success.

The 49-year-old Owen-Jones maintains he was born "with a virus for cars". Yet despite his acknowledged addiction to motor racing - he competed with considerable success in classic car racing before moving into modern GT's last year - Owen-Jones is realistic about his chances of winning what is perhaps the world's most famous motor race.

For a start, there will be faster cars even than Owen-Jones's £1m, 220mph McLaren in its Gulf oil livery out on the daunting eight-mile circuit - notably Porsche K8s, Ferrari 333SPs and Peugeot and Courage prototypes. These are purpose-built racing cars not built or sold for use on public roads, unlike the McLarens, Jaguar XJ220s, Corvettes, Honda NSXs and other GT cars which have become eligible for Le Mans during the past two years.

as a result of the event returning to its sports car roots.

Nor, earlier this week, was it even certain whether it will be Owen-Jones driving when the chequered flag comes out, or one of his two professional co-drivers, Frenchmen Pierre-Henri Raphanel or Philippe Alliot. When it comes to team strategy, including who drives when, "then because the car belongs to me I suppose I could impose the final decisions", says Owen-Jones. "But wisdom dictates that they should be made by the experienced, professional people in the team." As for the prospects of winning: "Someone of great experience said to me 'don't even think about where you could get to. You've just got to go out and do the very best you can. And if it happens, it happens'."

Some critics suggest, however, that what happens might be altogether less appealing: and that someone with Owen-Jones's responsibilities, to shareholders and thousands of employees worldwide of a company turning over some \$10bn (£6.21bn) a year, should not even be thinking about competing in a sport so dangerous as motor racing - and particularly in so arduous an event as Le Mans.

The same applies to pharmaceuticals entrepreneur Ray Bellm, the other officially "amateur" driver in the second Gulf McLaren, to Oppenheim Bank co-owner Thomas Escher competing in another McLaren; and Harrods heir Moody Fayed and a handful of others whose business income has provided them with the wherewithal to fulfil the frustrated motor racing dreams of impecunious adolescence.

It is a criticism which both Owen-Jones - and other businessmen drivers - vehemently reject. "Yes, obviously there is a question of



only weekends and can be planned far in advance, leaving mainly his family, not the business, short of his time. Except for *force majeure* through accident, he also insists that, in a crisis, business will always come first. "It's always been totally clear that if there were a major business problem that I would get out of the racing car and disappear; those are the conditions in which both the team and my co-drivers know I have to operate."

He insists he has come under no pressure from the controlling L'Oréal family shareholders to desist.

The unique appeal of motor racing, says Owen-Jones, "is that it's all about trying to get to the edge yet not falling off. If you're too careful you're going too slow and if you're not careful enough you crash... it's a unique mixture of the mind, body and a machine."

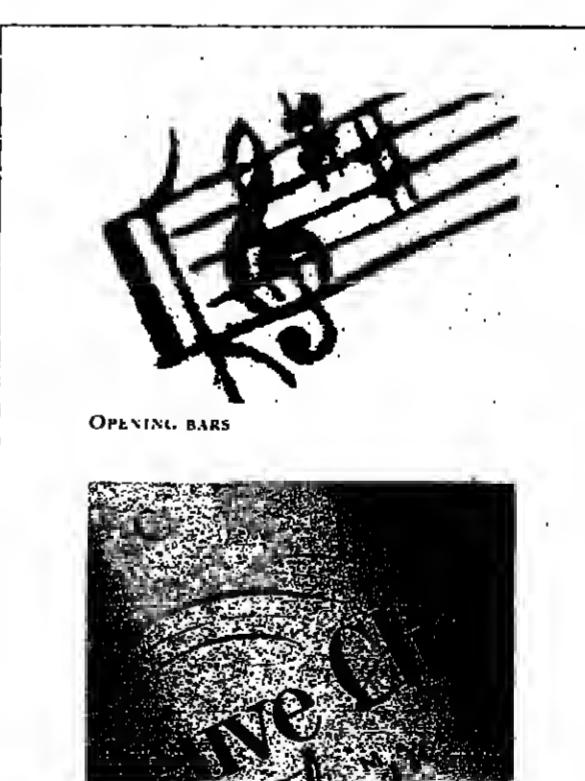
He has tried alternative, less dangerous sports, but none has provided a substitute. He also sees strong parallels between motor racing and business.

"For an organisation, whatever it may be, the whole idea is to go as fast as reasonable, taking risks which do not, however, compromise the very existence of the institution. And to do that as a manager you probably need something of the spirit of risk-taking and competitiveness you inject into motor racing."

Owen-Jones accepts that, as an amateur, he is likely always to be fractionally slower than the best of the professionals - although Bellm has won three world championships in sports prototype racing.

He professes no regrets at the course his life has taken. But having achieved business success, "the question was always nagging away - could I have been a racing driver?" Since Owen-Jones's and Bellm's Gulf McLarens between them have had five podium finishes, including four outright wins, in the BPR International Endurance Championship in which they are competing this year, both men are pretty satisfied with the answer.

John Griffiths



OPEN IN BARS

GRANDEUR OPEN
BOTTLE SPILL
THE VEUVE CLICQUOT GOLD CUP POLO CHAMPIONSHIP
23 June-10 July
WIMBLEDON TENNIS CHAMPIONSHIPS
26 June-9 July
HENLEY FESTIVAL IN THE MEADOWS AND THE ARTS
3-11 July
SHEFFIELD CYCLE MATCH, RAILWAY STATION
18-23 July
GLENFIDDICH GOLF CHAMPIONSHIP, ST. ANDREWS
20-23 July
GOLFERS CHAMPIONSHIP
23-29 July
BLANDFORD HORSE TRIALS, STURMINSTER
29 August-3 September

11 June-9 July
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26 June-9 July

The Alternative Investment Market is likely to get off to a slow start, say Richard Gourlay and Christopher Price

Amid muted celebrations, the London Stock Exchange will on Monday launch its latest attempt to create a market place for investors with a taste for small companies: the Alternative Investment Market.

The new market will offer several attractive features to the small investor, including a relatively high degree of regulation and tax breaks.

But it is likely to get off to a slow start: only 10 companies will be quoted on it when trading starts at 8.30am.

There is a long history of attempts to create junior stock markets for growing companies in the UK. The Unlisted Securities Market, founded in 1980, brought 888 small companies to the market and raised nearly £5bn, according to Stock Exchange figures. But investor interest took a knock in the 1987 stock market crash and the last recession.

Changes in European Union rules on market regulation also mean there is now little difference between the USM and the official Stock Exchange list. The USM will stop trading at the end of next year.

The Third Market, launched in 1987 for companies with only a one-year trading record, was wound up in 1990 having failed to generate any significant interest.

Some Third Market companies went into the USM. The remainder became tradeable under the Stock Exchange's Rule 4.2, which allows members to trade shares off the market when buyers and sellers can be found.

The new market has two advantages over its predecessors. It has been given management resources by the Stock Exchange, with a team dedicated to making it work. "The USM is dying because there was

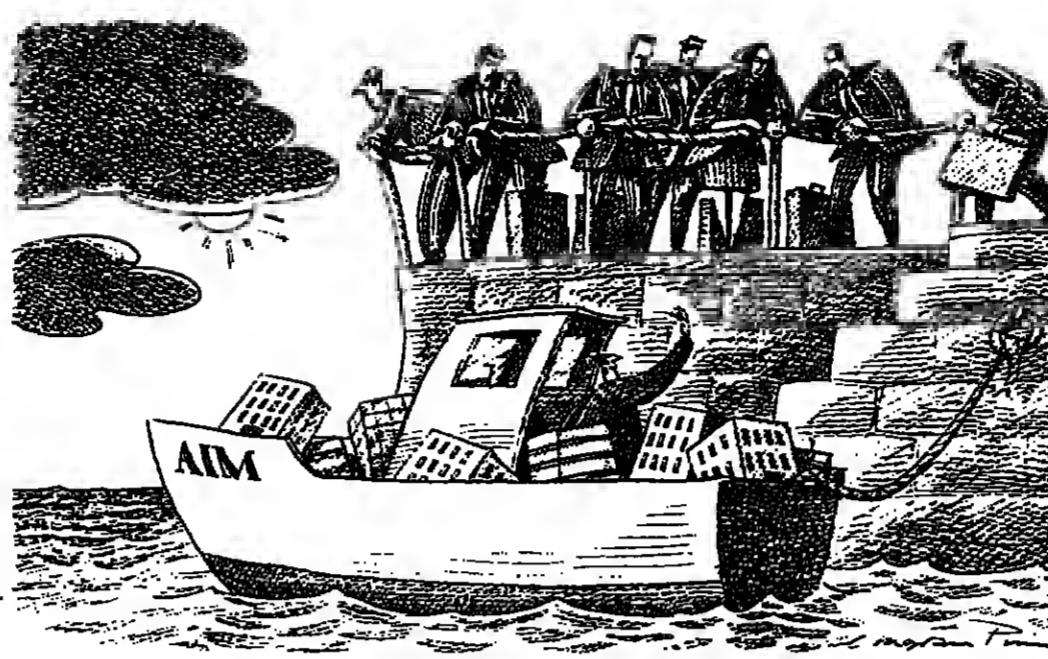
no-one whose main job was to ensure it survived," says Mr Mark Cramsie, head of corporate finance at Singer & Friedlander, the merchant bank which is one of the 29 "nominated" advisers. These advisers - most of whom are brokers - will be responsible, as they were on the USM, for enforcing the regulations.

Of equal importance is the tax break that will be available to investors on Aim. If they invest the proceeds of the sale of almost any asset in an "unquoted" business - a definition that includes Aim companies - the capital gains tax due on the gain can be deferred indefinitely. The tax becomes due only if they cease to hold investments in qualifying "unquoted" companies (and losses if the investors still hold the investments when they die).

A number of very wealthy clients with a major shareholding in a company on which they have a huge capital gain will be interested in unquoted investments rather than paying money to the taxman," says Mr Robin Dunham of Charles Stanley, the stockbroker.

Some of the companies raising money on Aim will undoubtedly be risky propositions and might require this kind of tax break if they are to attract private investors. But the risk will be much lower with others, such as Southern Newspaper Group - a more than 100-year-old Southampton business with a market capitalisation of over £100m - which is planning to switch to Aim from the 4.2 market before the end of September.

Some brokers suspect that private investors in Aim will gravitate to such relatively low-risk companies.



This happened with the Business Expansion Scheme, which also offered tax relief for those investing in growing businesses: most private investors ended up in low-risk property investments. To avoid this, the Inland Revenue is considering whether capital gains tax relief should be available only for companies below a certain size.

Even though such aspects of the new market are likely to be attractive to private investors, trading will get off to a slow start because

of the small number of companies initially listed.

Three of the 10 are property groups - Norecity II and Norhomes, two related concerns which are both new to the stock market, and Gander Holdings.

The Old English Pub Company, an operator of 20 "character" public houses in the north home counties and East Anglia, is likely to be joined later in the week by Cafelinks, a Lancashire-based operator of bars and pubs.

The largest of the 10 is Dawsoo

Holdings, an international journal distributor, which reported turnover of £15m and pre-tax profits of £4.3m last year.

The rest of the list comprises Brancote Holdings, a mining exploration group; Lorien Group, which provides specialist personnel to the information technology and engineering sectors; Country Gardens, a garden centre operator; Formscam, a supplier of document management, and Athelney Trust, an investment trust.

Many more companies are likely

to join Aim when the 4.2 market is wound up on September 29 and when the USM ceases trading.

KPMG, the accountants, expect about 200 companies to be on Aim by the end of 1996.

USM and 4.2 companies not wishing to switch to Aim are faced with either leaving the market or moving to a full Stock Exchange listing.

Aim is also expected to attract growing companies looking to raise capital in a market where a quotation is not an onerous or expensive undertaking. The first of these is expected within days when Errros, a small loss-making computer software company, will raise up to £1.5m through a placing of shares with institutional shareholders.

One concern for private investors is likely to be the quality of the information on Aim companies.

"There will be a wide variation in the amount of work nominated advisers will do and a wide variation in the quality of the prospectus," says Mr Cramsie.

Many of the 4.2 companies, for instance, will be introduced to Aim with a relatively thin prospectus, simply because the company wants a market in its shares rather than to attract new investors. Rowan Dartington, the Bristol-based broker and a nominated adviser, says the cost of such introductions could be as low as £50,000, a reflection of the modest aims of the prospectus.

On the other hand, companies raising money are likely to find backing from investment institutions only if they have produced a full prospectus. It cost the Old English Pub Company about £200,000 to raise £2.5m from institu-

tions last month ahead of an Aim quotation. This is not far short of the cost of raising money for a full Stock Exchange listing because the sponsor produced a comprehensive prospectus.

The Stock Exchange says it is happy with the modest number of launch companies next Monday. It expects the pace of companies coming to Aim to increase after the summer, traditionally a bad time for raising money.

However, many private investors may prefer to wait until the autumn before putting their money into the new market, when venture capital management companies and others will be launching Venture Capital Trusts. These trusts - which have similar relief from capital gains tax to unquoted companies - will provide investors with a spread of risk.

In the longer term, there are likely to be other markets springing up to raise capital for growing businesses. The governments of France, Germany and Italy are encouraging efforts by national bourses to set up alternative markets. And European securities dealers are planning to open a market called Easdaq by mid-1996, to provide a pan-continental equivalent of the US Nasdaq market for small companies with ambitions for rapid growth and an eye on international markets.

Whether Aim flourishes will depend on its success in enticing institutional investors to provide capital and liquidity. "It would be a pity if Aim does not become a market where companies can raise money from institutions," says Mr Cramsie. "If that were to happen, Aim would just become a revamped version of the 4.2 market."

A paper tiger leaps the walls of China

The fourth floor of a primary school hulding in a dusty corner of the People's Daily compound in Beijing looks an unlikely place from which to launch an assault on what is potentially the world's biggest media market.

But it is from these temporary and improbable premises, amid the shrill sounds of children playing, that Mr Rupert Murdoch's representatives will begin the difficult task of trying to build News Corporation's presence in China in partnership with the Communist party newspaper.

Mr Zhang Dehua, the executive deputy general manager of the 50-50 venture, with the pedestrian title of Beijing PDN Xinren Information Technology Co, hopes that, like the children's voices, the new enterprise will "be full of life".

Mr Murdoch would certainly share these sentiments, for there is no doubt the Australian-born magnate has set his sights on penetrating the hitherto opaque China media market with the same determination he has displayed in pursuit of other goals.

This has been a long quest for the US-domiciled Mr Murdoch, who first began attempts to secure a foothold in China in the mid-1980s with a proposed media centre for television and print in the western suburbs of Beijing.

That idea was still-born in the chillier atmosphere of the 1980s with its campaigns against "bourgeois liberalisation" and "spiritual pollution". The freeze continued during the political crackdown after the security forces gunned down pro-democracy protesters in Beijing's central Tiananmen square in 1989. But Mr Murdoch persisted and redoubled his efforts after his acquisition in 1993 of the Hong Kong-based Star television network.

The agreement with the People's Daily is modest by Murdoch standards, with planned investment of about \$5.4m (£3.85m) in an electronic publishing and data-retrieval business. But it is only a first step:



Toe in the door: Rupert Murdoch's representatives say it makes sense to start modestly in China

Mr Murdoch has been allowed to put his toe in the door.

News Corp representatives say they have learned from experience that grand schemes make the Chinese nervous:

that it makes more sense to start modestly. "It is better to work the system from the ground up, rather than the top down," says Mr Bruce Dover, general manager of the new venture and a former deputy editor of *The Australian*, the Murdoch daily newspaper.

Mr Murdoch has, however, attempted to secure advantage by cultivating the family of Mr Deng Xiaoping, China's senior leader. For example, Harper-Collins, the News Corp publisher, bought the English-language rights to the biography of Mr Deng written by his daughter, Ms Deng Rong, for a sum that was said to approach \$1m.

More recently, Murdoch interests helped fund a visit to

Anustralia by a performing troupe of disabled Chinese led by Mr Deng Pufang, Deng Xiaoping's paraplegic son. These gestures may, however, prove to be of questionable value, since the Deng family star appears to be waning amid

over the past decade. But the association with the official "organ of the Central Committee of the Chinese Communist party" should provide some powerful *guanxi*, to use the Chinese word for connections.

Mr Zhang of People's Daily makes no secret of the motives of a paper that once spent its days railing against "capitalist running dogs" and "imperialist paper tigers" in agreeing to a tie-up with Mr Murdoch.

The People's Daily is taking steps to internationalise, he says. "We want a partner with experience in the international market. It wants to develop into an active economic organisation whose business is not just confined to newspapers."

People's Daily is interested in expanding into television and other forms of electronic media. But Mr Zhang acknowledges that the "time is not yet ripe" for adventurous media ventures in China involving

suggestions that his children have misused their positions to plunge into business.

The People's Daily also hardly represents "ground-up" entry to China. The Communist party newspaper is not the force it was - circulation has dropped from about 6m to 2m

over the past decade. But the association with the official "organ of the Central Committee of the Chinese Communist party" should provide some powerful *guanxi*, to use the Chinese word for connections.

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MARKETS REPORT

Market torpor

The dead hand of the G7 summit in Halifax, Nova Scotia was yesterday sufficient to put a dampener on activity in currency markets, writes **Philip Gauthier**.

The torpor that hung over markets all week continued with traders reluctant to take big positions lest the G7 emerge with a strong statement on currencies.

The dollar spent most of the day trading in a fairly narrow range around DM1.40 and Y84.50.

In Europe the focus was the Spanish peseta, which again suffered from speculation that a break-down of the ruling coalition could lead to early elections. The peseta closed at Pt86.86 against the D-Mark from Pt86.49.

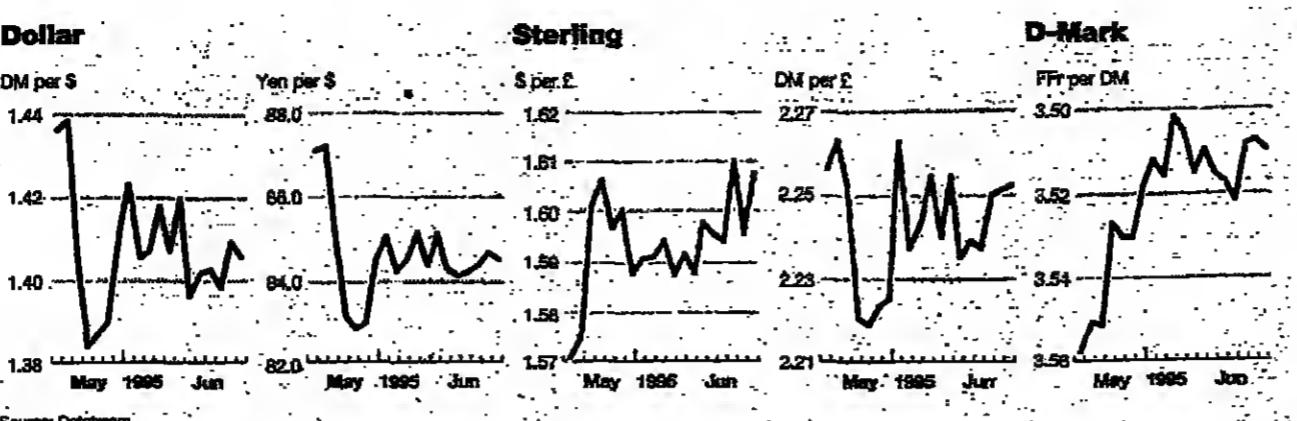
Sterling had a steady day, seemingly untroubled by the renewed crescendo of speculation about the future of prime minister Mr John Major. It closed at DM2.2522, from

DM2.2506, and at \$1.608 from \$1.5955.

One traders said it had been a day of rumours, but no action in the markets. One rumour that did the rounds concerned alleged violence in China; others concerned Spain, where the opposition was said to be preparing for a no-confidence vote, while there were also rumours of the Catalans withdrawing their support for

the government.

Two potentially more useful pieces of intelligence emerged from Halifax. One was that the draft G7 communiqué was likely to endorse the April statement from G7 finance ministers and central bankers, saying that an "orderly rever-



Source: Datastream

sal" of recent exchange rate moves was desirable.

The other was the slightly excitable description by Mr Jacques Chirac, the French president, of foreign exchange speculation as "the aids of our economies".

The April statement was suf-

cient to help prompt a minor dollar rally, so next week may see more of the same. Indeed, Mr Brian Durrant, chief economist at brokers GNL notes that while the \$/DM rate has been range-bound for the past two weeks, the implied volatilities

on dollar options has remained fairly high, suggesting that the market has not ruled out a sharp dollar move.

One piece of good news for dollar bulls is the emerging

evidence that some cross rates,

such as the lira and franc, are

taking their lead less from the

dollar/mark rate. Mr Mike Gal-

agher of IDEA, the financial market consultancy, said this could presage a summer lull for the D-Mark, whose risks appear to be on the downside.

Political worries were more evident in the interest rate

markets, with short sterling

contracts losing ground. Mr Richard Phillips, analyst at GNL, said: "The attack on Major has clearly troubled some investors." He said the concern was that the government's dire political standing would tempt it into policy indiscretions which would ignite inflationary pressures.

In its daily operations the Bank of England cleared a £900m shortage, mostly at established rates. Three month LIBOR fell slightly to 6.11 per cent from 6.12 per cent.

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WORLD STOCK MARKETS

INDICES

INDEX FUTURES																						
Open	Sett	Price	Change	High	Low	Est. vol.	Open Int.	Open	Sett	Price	Change	High	Low	Est. vol.	Open Int.							
Argentina	16	Jun	Jun	Jun	14	High	1995	Low	16	Jun	Jun	Jun	14	High	1995	Low						
General (29/12/77)	M	14273.53	14179.90	16531.10	2/1	9831.08	973		18	Jun	Jun	Jun	14	High	1995	Low						
Australia	15								15	Jun	Jun	Jun	14	High	1995	Low						
All Ordinaries (1/6/80)	1974.4	1861.1	1966.5	2077.50	95	1823.30	82		14	Jun	Jun	Jun	14	High	1995	Low						
ASX Mining (1/6/80)	877.1	653.4	651.9	652.50	194	765.30	82		13	Jun	Jun	Jun	14	High	1995	Low						
Austria	1008.85	94	1016.52	1056.31	2/1	984.83	303		10	Jun	Jun	Jun	14	High	1995	Low						
CAII Addon (20/12/84)	371.48	64	374.25	385.42	2/1	350.32	303		9	Jun	Jun	Jun	14	High	1995	Low						
Trade Index (21/9/91)	1008.85	94	1016.52	1056.31	2/1	984.83	303		8	Jun	Jun	Jun	14	High	1995	Low						
Belgium	352.20 (1/4/91)	1420.02	1416.86	1411.55	1406.74	125	1271.53	93		17	Jun	Jun	Jun	14	High	1995	Low					
Brazil	Bovespa (29/12/83)	64	64	64	36550.0	43190.00	2/1	21382.00	93		16	Jun	Jun	Jun	14	High	1995	Low				
Canada	60	60	60	60	60	60	60	60		15	Jun	Jun	Jun	14	High	1995	Low					
Capital Mkt (1975)	4336.92	4304.35	4381.46	436	3608.63	1/3				14	Jun	Jun	Jun	14	High	1995	Low					
Composite (1979)	4518.50	4494.30	4518.50	4518.50	156	3891.41	307				13	Jun	Jun	Jun	14	High	1995	Low				
Portfolios 54 (1/1/83)	14	2229.52	2219.63	2228.52	156	1946.39	317				12	Jun	Jun	Jun	14	High	1995	Low				
Chile	10	10	10	10	10	10	10	10		11	Jun	Jun	Jun	14	High	1995	Low					
CPA Gen (31/12/80)	64	64	64	64	64	64	64	64		10	Jun	Jun	Jun	14	High	1995	Low					
Denmark	CopenhagenSE(3/1/63)	353.63	354.05	358.86	360.87	285	330.01	283														
Finland	60	60	60	60	60	60	60	60														
HK General (29/12/90)	1685.1	1640.4	1653.3	1940.30	10/1	1555.30	393															
France	SEF 250 (31/12/80)	1266.53	1276.52	1304.27	1322.26	125	1153.14	103														
CAC 40 (31/12/87)	1504.95	1520.70	1582.65	2077.27	135	1721.80	132															
Germany	HK Aktien (31/12/89)	780.41	64	783.41	785.81	16/2	708.87	303														
Commerzbank (1/2/63)	2241.8	64	2242.2	2288.00	182	2018.70	303															
DAX (30/12/87)	2118.79	64	2120.02	2146.40	56	1910.98	283															
Greece	Athens SE (31/12/80)	914.67	920.42	910.40	955.01	85	767.15	183														
Hong Kong	Hang Seng (31/7/84)	9313.95	9282.00	9304.77	9570.37	56	6987.93	237														
India	SEI Sense (1979)	3348.47	3315.88	3324.88	3832.08	2/1	3015.07	25														
Indonesia	Relata Comp (10/8/82)	486.04	487.27	489.32	497.26	85	414.21	194														
Ireland	SEI Overall (4/1/86)	1955.60	1953.41	1955.21	1960.08	85	1813.58	237														
Italy	Salini Com Ital (1972)	610.98	616.42	606.81	600.54	102	587.98	238														
IB General (2/1/82)	966.0	973.0	960.0	1078.00	102	929.00	238															
Japan	Index 225 (16/5/94)	14703.17	14867.26	14660.48	18723.06	2/1	14588.88	136														
Japan	Index 300 (1/10/82)	2247.0	225.86	223.10	287.17	2/1	222.28	136														
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Australia	15								15	Jun	Jun	Jun	14	High	1995	Low	15	Jun	Jun	Jun		
All Ordinaries (1/6/80)	1974.4	1861.1	1966.5	2077.50	95	1823.30	82		14	Jun	Jun	Jun	14	High	1995	Low	14	Jun	Jun	Jun		
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CAII Addon (20/12/84)	371.48	64	374.25	385.42	2/1	350.32	303		7	Jun	Jun	Jun	14	High	1995	Low	7	Jun	Jun	Jun		
Trade Index (21/9/91)	1008.85	94	1016.52	1056.31	2/1	984.83	303		6	Jun	Jun	Jun	14	High	1995	Low	6	Jun	Jun	Jun		
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All Ordinaries (1/6/80)	1974.4	1861.1	1966.5	2077.50	95	1823.30	82		14	Jun	Jun	Jun	14	High	1995	Low	14	Jun	Jun	Jun		
ASX Mining (1/6/80)	877.1	653.4	651.9	652.50	194	765.30	82		13	Jun	Jun	Jun	14	High	1995	Low	13	Jun	Jun	Jun		
Austria	1008.85	94	1016.52	1056.31	2/1	984.83	303		8	Jun	Jun	Jun	14	High	1995	Low	8	Jun	Jun	Jun		
CAII Addon (20/12/84)	371.48	64	374.25	385.42	2/1	350.32	303		7	Jun	Jun	Jun	14	High	1995	Low	7	Jun	Jun	Jun		
Trade Index (21/9/91)	1008.85	94	1016.52	1056.31	2/1	984.83	303		6	Jun	Jun	Jun	14	High	1995	Low	6	Jun	Jun	Jun		
Belgium	352.20 (1/4/91)	1420.02	1416.86	1411.55	1406.74	125	1271.53	93		5	Jun	Jun	Jun	14	High	1995	Low	5	Jun	Jun	Jun	
Brazil	Bovespa (29/12/83)	64	64	64	36550.0	43190.00	2/1	21382.00	93		4	Jun	Jun	Jun	14	High	1995	Low	4	Jun	Jun	Jun
Canada	60	60	60	60	60	60	60	60		3	Jun	Jun	Jun	14	High	1995	Low	3	Jun	Jun	Jun	
Capital Mkt (1975)	4336.92	4304.35	4381.46	436	3608.63	1/3				2	Jun	Jun	Jun	14	High	1995	Low	2	Jun</			

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WORLD STOCK MARKETS

AMERICA

All major indices trade at record highs

Wall Street

The expiry of options and futures on stock indices led to extremely heavy volume on the New York Stock Exchange yesterday, but by early afternoon this had not caused the volatility that many had expected, writes *Liza Bransden* in New York.

The Dow Jones Industrial Average breached the 4,500-point barrier, rising 15.90 at 4,512.17.

All of the major indices were trading at record highs yesterday as they edged past the records set on Thursday. The Standard & Poor's 500 rose 2.22 at 533.34, the American Stock Exchange composite climbed 0.59 at 493.81 and the Nasdaq composite gained 5.24 at 907.96. NYSE volume was 299m shares.

Stocks shrugged off declines posted on the bond market as

trading activity was driven by the so-called "triple-witching" that occurs once a quarter when options and futures on stock indices expire on the same day. Activity on triple-witching days can be volatile as traders buy and sell stocks to unwind their positions.

Both the stock and bond markets had rallied since the start of the month after a string of weak economic data prompted hopes that the Federal Reserve would lower interest rates by the end of the summer.

In recent days, however, statements from several Fed officials, including Mr Alan Greenspan, chairman of the Fed, have suggested that the central bank was inclined to leave monetary policy steady in the short term. In early afternoon trading the benchmark 30-year Treasury was 1/4 lower at 112.24 and the two-year note was 1/4 lower at 5.745.

EUROPE

Nordic exuberance after Nokia performance

Exuberance in Nordic telecoms, as European and US shareholders enthused over Nokia's tertial performance, was offset by weakness in senior bourses, although a good morning for Wall Street allowed Frankfurt and Paris to close well above their worst, writes *Our Masters Staff*.

Overnight indications that the US Fed would be in no hurry to ease interest rates impacted on bond markets, said a senior sales trader, and the ability of equities to absorb this was curtailed as cash market money stayed at home, and watched futures and options expire around the world.

HELSINKI was electrified after Nokia, after a bout of nervousness earlier in the week, produced a leap in tertial profits which took the shares up to FM19, or 9 per cent to a new all time high of FM22.3. The Hex index rose 44.7, or 2.4 per cent to 1,885.1, virtually flat after a high-profile win. In STOCKHOLM, Ericsson followed Nokia, closing SKr6.40 or 4.5 per cent better at SKr140 after a more modest early gain following its four-for-one share split. The Affarsvärlden Gen-

eral index rose 7.4 to 1,595.8, off 0.7 per cent on the week.

FRANKFURT balanced good and bad news from across the Atlantic as the Dax index, as low as 2,111.09 at one stage, closed 5.72 lower at an FM15.66, indicated 2,123.56, up 0.8 per cent on the week.

There was specific weakness in cyclical German equity traders came back from a day's holiday and reacted to the statement earlier in the week from Rohm & Haas, the US chemicals company, that second quarter earnings were unlikely to rise after a slowing of North and South American demand.

Later data suggested that US consumer spending might pick up, lifting the Dow and the broad German equity market,

but cyclical still dominated the Ibis loss leaders with Daimler down FM12.20 at FM79.80, Thyssen up from FM3.80 at FM262.20 and, in chemicals, BASF and Hoechst dropping FM3.50 to FM300.50, and DMS.30 to FM30.50.

Turnover, inflated by futures and options expiries, was FM39.1bn against FM5.8bn.

AMSTERDAM, too, worried about chemicals, Akzo losing FM2.20 at FM186.50 and DSM FM11.00 at FM130.20 as the AEX index fell 2.15 to 340.71, down 0.4 per cent on the week.

PARIS recovered nearly a percentage point from its day's low of 1,886.27, but still closed

with the CAO-10 index 15.75 lower at 1,904.59, fractionally higher than the week.

The financial sector fell

among individual shares, Microsoft jumped \$2.4 at \$87.1, after an appellate court judge reinstated a settlement that the software maker had worked out with the US Department of Justice in a case involving possible violations of anti-trust laws.

Other technology shares were mixed. The Pacific Stock Exchange index of technology shares gained 0.7 per cent. Intel rose \$1 at \$118.4, Apple Computer gained \$1 at \$43.3, Compuware was \$1 higher at \$33.6 while Adobe Systems lost \$1 at \$39.4 and Applied Materials shed \$1 at \$82.

Armed rose nearly 14 per cent or \$1.4 at \$10.4 after Genia, which makes cardiovascular drugs, agreed to acquire the company for cash and stock. Genia slipped \$1 at \$31.4 on the news.

Medaphis dropped 19 per cent or \$6 at \$25 after the Bovespa index had risen 2.62 higher

at 26,916 at 1pm in turnover of just R\$63.3m (\$20m).

Deals were again concentrated in Telebras preferred, 1.2 per cent higher at R\$20.75, and Petrobras preferred, flat at R\$20.50. Both are the underlying stocks for the more widely held options, which will settle on Monday.

MEXICO CITY drifted higher in morning trade as the market tried to extend its upward momentum to a fifth consecutive session. The IPC index was 5.17 higher at 1,002.33.

Latin America

Buenos Aires edged ahead in late morning business after the trade row with Brazil was put on hold. The Merval index rose 1.18 to 399.57 after Brazil postponed the introduction of car quotas for 30 days to nullify a compromise with Argentina, and to try to salvage the Mercosur trading bloc, which also includes Uruguay and Paraguay.

SAO PAULO also moved ahead in very thin midday trade with many investors staying out of the market as trading resumed after Thursday's national holiday. The Bovespa index was 2.62 higher

at 26,916 at 1pm in turnover of just R\$63.3m (\$20m).

Argentina's central bank has been trying to cut down its risk assets, selling more than \$200m in the last month. The life insurance companies were leading purchasers of equities during the 1980s, and have long used the unrealized gains on their securities portfolios as buffers against losses. The decline in share prices has hurt their ability to invest in risk assets while leaving them unable to meet their liabilities.

Mr Takahide Sakurai, chairman of the Life Insurance Association of Japan, said yesterday that life insurers were trying to lower the ratio of stocks in their total assets from 20 to 17 per cent. Instead of buying stocks, they have been investing in yen bonds. Last month, non-life and life insurers bought a total of \$1,058bn in yen bonds due to the lack of other risk free investments.

Meanwhile, overseas investors who supported the stock market at the start of last year, on expectations of a sharp economic recovery, are unlikely to do the same this year. Many were disappointed by last year's muted performance of Japanese shares, and have been seen taking profits since the Kobe earthquake hit the market. According to Yamachi Securities, many overseas investors are carrying unrealized losses on their portfolios.

At the root of the liquidity problem which the stock market

Search for solutions to Japan's financial crisis

Emiko Terazono on moves to shore up share prices

A recent remark by a businessman working for a leading Japanese company sums up the current gloom shrouding Tokyo's corporate community. "There's no talk of new investments or projects. Every one leaves the office at six o'clock."

The Tokyo stock market has not been exempt. Pessimism over the economy and the stability of the banking system drove the Nikkei 225 index down early this week to levels unseen since August 1992, when the government averted a financial crisis by pumping in public funds to shore up share prices.

Behind the sharp fall has been selling by the life and non-life insurance companies, which have been trying to cut down their risk assets, selling more than \$200m in the last month. The life insurance companies were leading purchasers of equities during the 1980s, and have long used the unrealized gains on their securities portfolios as buffers against losses. The decline in share prices has hurt their ability to invest in risk assets while leaving them unable to meet their liabilities.

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At the root of the liquidity problem which the stock market

leaders, who have been forced to tackle their problems by themselves, have long opposed such a solution. Moreover, the public outcry against the Tokyo government's contribution to a rescue package of two defunct credit associations, conjured up by the ministry of finance and the Bank of Japan, has also complicated the public bailout of the country's banks.

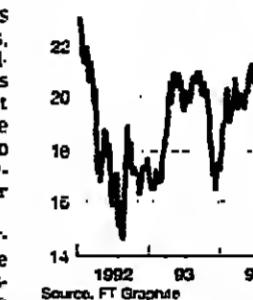
With the finance ministry this time ruling out the use of public postal insurance money to shore up stocks, due to opposition from the broking industry, prospects for the market look grim. However, some analysts suggest that the ministry of finance is ready to let the market drop: this might draw out calls from the public and the business community to use public funds to help the stock market to recover. "The ministry could be using this as an education process to convince the public," says Mr Neil Rogers, strategist at UBS Securities in Tokyo.

But even if measures to clear up the financial system's problems were put in place, allowing institutional investors to take more risk, the impact on the real economy is expected to be prolonged. Government policy can help out sectors including property and finance, but amid the current oversupply, it is unlikely that any government measure is going to trigger aggressive capital investment. "Any rally in the market will be liquidity driven and not earnings driven," says Mr Peter Tinker at Kleinwort Benson in Tokyo.

As for the market itself, predictions over the fate of the Nikkei index range wildly from 8,000, through 13,800 to 22,000. And the argument that the market is cheap in valuation terms, which usually arises when share prices fall, has been clouded by the downward risk potential of Japanese shares. As one analyst at a European brokerage puts it: "We've given up trying to alter our official predictions every time something drastic happens."

Japan

Nikkei 225 Average (1000)



Source: FT Graphix

London Equities

RISES AND FALLS

On Friday	On Saturday	On Sunday	Rises			Falls			Same		
			Aug	Nov	Feb	Aug	Nov	Feb	Aug	Nov	Feb
British Funds	1	69	9	81	230	44					
Crude Fixed Interest	5	14	1	1	66						
Mineral Extraction	72	77	85	331	353	491					
General Manufacturers	110	174	198	598	561	798	2,063				
Consumer Goods	38	64	120	215	254	541					
Services	106	120	323	466	565	1,727					
Utilities	19	21	102	102	105	105					
Financials	63	133	228	341	502	1,177					
Investment Trusts	66	100	345	414	688	1,903					
Others	36	43	31	187	181	125					
Totals	497	609	1,560	2,609	3,673	8,288					

Data based on those companies listed on the London Share Service

TRADITIONAL OPTIONS

First Dealings

Last Dealings

June 12

Expiry

Sept 14

June 23

Sept 21

Settlement

Usher (P), Usher (F), Usher (L), Minetti (D), Minetti (S)

Usher (F)

LONDON RECENT ISSUES: EQUITIES

Issue Am't. Min. Price

Per Up (Dm) High Low Stock

P. +/-. Net Dm. Gms P/E

100 292.2 733 883 Brt Aero Cap Uts 706 - - - -

122 F.P. 24.9 127 122 Gratus Worldwide 102 - - - -

128 F.P. 1.9 26 26 26 26

138 F.P. 1.2 12 12 12 12

140 F.P. 1.2 12 12 12 12

142 F.P. 1.2 12 12 12 12

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150 F.P. 1.2 12 12 12 12

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 4.2(a) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

† Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

Treasury 13 1/2% Stk 2000/02 - £1045

Exchequer 10 1/2% Stk 2005 - £1052

(13/465)

Corporation and County Stocks

Birmingham District Council 11 1/2% Red Stk 2012 - £1118 (14/465)

Cambridgeshire County Council 11 1/2% Red Stk 2003 - £111 (14/465)

Leeds City Council 10 1/2% Red Stk 2008 - £139

(13/465)

London City Council 7% Ln Stk 2019/Reg - 583/24 4/23

Mersey City Council 11% Red Stk 2017 - £117 (12/465)

Southwark Council 7% Ln Stk 2019/Reg - 583/24 23 8

Foreign Stocks, Bonds, etc. (coupons payable in London)

Abbey National Sterling Capital PLC 9% Subord Bds 2000/04/01 - £104 (13/465)

Abbey National Treasury Secs 6% Gd Stk 2000/04/01 - £1000 (1000/0000) - £102

Abbey National Treasury Secs 6% Gd Stk 1998/04/01 - £102 (13/465)

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LONDON STOCK EXCHANGE

MARKET REPORT

Bid hopes keep equity market on an even keel

By Steve Thompson, UK Stock Market Editor

The UK stock market struggled manfully to resist the downward pressure exerted by further steep losses in bonds, bonds and gilts, and eventually closed only marginally easier on balance as numerous takeover stories revived.

Takeover speculation was one of the main themes in the market this week with intermittent bursts of speculation interspersed with actual bid activity. The week's big development was confirmation that Dresdner Bank, the German bank, was stalking Kleinwort Benson, one of the more attractive of the London

merchant banks.

At the close, the FT-SE 100 index was 4.3 lower at 3,366.1 for a 28.4 point gain on the week. The FT-SE Mid 250 index eased 1.3 to 3,660.8 after struggling to keep pace with the senior index all week, eventually ending the five-day period 18.1

Dealers said activity both before and after the expiry of the FT-SE 100 future and options was distorted by many of the big securities houses attempting to drive prices in different directions. "There were plenty of individual OTC experts pulling prices all over the place; it was certainly a difficult day," said one head of trading.

He took the view, however, that the UK market had performed exceptionally well in the face of a weak showing by bond markets. The latter recorded losses in excess of a point in the wake of comments from Mr Alvin Blinder, vice-chairman of the US Federal Reserve, that he expected US inflation in 1995 to top 1994 levels. The remarks were interpreted in Europe as indicating a marked reluctance of the Fed to reduce US interest rates in the face of such inflationary pressures.

The real thrust for the market came from a revival of the takeover speculation that has wafted around London's trading desks for many

weeks. There were no really new bid candidates put forward, although the whispers concerning Legal & General that were first heard late on Thursday, grew in volume during the morning session.

Legal shares easily outstripped the rest of the FT-SE 100 constituents yesterday although many insurance analysts were sceptical.

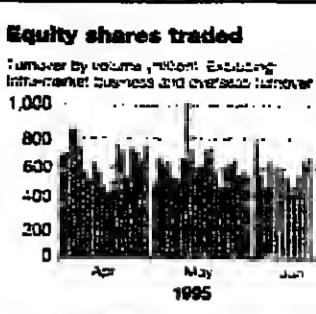
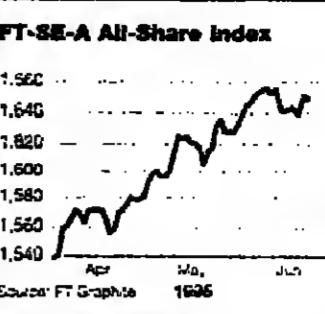
Of the other bid stories still circulating, dealers mentioned a resurgence of talk that Thorn EMI may be seriously considering a demerger of its music business to enhance shareholder value. Marksmakers, however, insisted the latest surge in the shares reflected no more than his institutions' support for the

stock which they view as offering strong fundamental value.

Cable & Wireless were again heavily traded amid more speculation that BT could be on the brink of launching a full-scale bid for the company and that other offers could soon be on the table.

Senior traders cast doubts on the bid stories and instead tended to fret about the political situation and the future of Mr John Major, the prime minister.

Turnover in the market was 680.4m with non-Footer stocks accounting for a lonely 10 per cent. Customer bustiness on Thursday was £1.65bn, the highest for eight trading sessions.



FT-SE 100 Index
Closing index for Jun 16.....3366.1
Change over week.....-26.4
June 15.....3370.4
June 14.....3339.8
June 13.....3348.0
June 12.....3344.5
June 11.....3345.6
High.....3353.3
Low.....3326.0
*Intraday, high and low for week

TRADING VOLUME IN MAJOR STOCKS

	Open	Close	Day's	Prev. close	Chg.	Chg. %	Turnover	Vol. change
FT-SE 100	3,365.4	3,367.4	-1.1	3,366.1	-0.7	-0.2%	3,625,000	-1,000
FT-SE Mid 250	1,625.0	1,627.0	-1.0	1,627.0	-0.1	-0.1%	2,000,000	-1,000
FT-SE All-Share	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 350	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 250	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 100	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 50	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 20	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 10	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 5	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 2	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 1	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.5	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.2	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.1	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.05	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.02	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.01	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.005	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.002	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.001	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.0005	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.0002	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.0001	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.00005	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.00002	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.00001	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.000005	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.000002	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.000001	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.0000005	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.0000002	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.0000001	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.00000005	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.00000002	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.00000001	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.000000005	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.000000002	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.000000001	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.0000000005	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.0000000002	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.0000000001	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.00000000005	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.00000000002	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.00000000001	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.000000000005	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.000000000002	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.000000000001	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.0000000000005	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.0000000000002	1,540.0	1,560.0	-1.0	1,550.0	-1.0	-0.7%	10,000,000	-1,000
FT-SE-A 0.0000000000001	1,540.0	1,560.0	-1					

Weekend FT



Joe Rogaly

A cost we all must bear

Vouchers for nursery education are a symptom of the great upheaval

Others who go out to work want all of us, men, women, and transvestites alike, to pay someone to look after their offspring. Call it "child care", "nursery education" or "organised provision of au pairs". The effect is the same. It is a huge subsidy for those who would have their cake and eat it, give birth and become chief executive officers of international conglomerates, parturite and participate, indulge simultaneously in the joys of self-perpetuation and the triumphs of self-promotion.

We are speaking, in short, of one of the many costs all of us have to bear in order to finance the assumption by women of their undoubted right to seek fulfilment both in and out of the home. Yes, yes, I know all about your anger, Ms Outraged. Please note the careful language. I am sweating, trembling with fear as I write this. What I might venture to suggest when full of courage, shaved, tie neet and boots shining, is that there are many costs incurred by women's liberation.

These are borne partly by farm-out children, but also by mothers torn between conflicting claims on their time and energies.

None of this means that we can or should return to the

practical among us want to know how to finance the consequences of a more just distribution of life's opportunities between women and men.

One answer is vouchers. A scheme lurking in No.10 Downing Street, beneath the pile of scrunched balls of paper with the words "help" and "how much longer?", scrawled upon them, would allocate scrip worth £1,000 to

Father earned the money, mother minded the babies. We gentlemen could not lose

parents of four-year-olds. That could pay for nursery education, although in the swishier schools a top-up might be needed. The expectation is that the money will be spent where there is a substantial number of private or voluntary kindergartens. How much? Perhaps £1.2bn a year.

The arithmetic works this way: 40 per cent of nurseries are in local authority nurseries, and as many again in private playgroups or schools. That leaves a fifth - 135,000 - to be provided for. The Labour local

authorities are capturing as many of these as they can, as fast as possible. So call it £30,000 vouchers, at a grand a time. The prime minister, for the moment in Canada to see whether there is life after Conservative death, is said to have assented to this. If he survives a few more weeks, he may announce it.

We should cheer, and civil. The government's scheme is heavily influenced by Sheila Lawlor. Dr Lawlor, deputy director of the Centre for Policy Studies, wants private provision rather than local-authority places, which she believes waste money and cast an evil spell on young minds. Her vouchers would be topped-up by parents. The civil is that this would be a hand-out to middle earners on

to the user, not the state), but they should be taxed. A Labour government would increase the marginal rate of income tax extracted from very high earners, effectively clawing back most of the benefit from people who do not need it. Hey! I feel better already. This is safer ground than the effects of women's march forward. Let me rest on it for a while.

The widespread use of vouchers, net of tax, is a proposition all parties might investigate. It could apply to other social spending. Lord Skidelsky, head of the Social Market Foundation, has proposed secondary school vouchers, on a top-up basis, as a means of adding privately to taxpayers' money spent on education.

Care of the elderly, overwhelmingly undertaken by long-suffering women, is an area of increasingly shocking neglect. Vouchers for nursing home fees, suitably taxed, could be a cost-effective answer. The Treasury has its doubts, as it regards actuarial projections of the length of life of the indigent aged as unreliable. The costs are not predictable enough.

What is as certain as anything can be is that the cost of nursery school provision, and perhaps of babysitting, will be subsidised by all taxpayers. This is of course quite right. Oh yes indeed.

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INSTRUMENTS FOR PROFESSIONALS

PERSPECTIVES

When Dawn Henson was unable to find a cot mattress she considered safe for Danielle, her infant daughter, she made one herself. It was made from pure wool from the sheep on their small organic farm in West Somerset - and free of the organo-phosphates used by so many sheep farmers for the process of dipping.

Having completed the task, Henson felt she could sleep soundly at night, convinced she had done her utmost to reduce the risk of Sids - sudden infant death syndrome - in the case of Danielle.

Dani, as her parents call her, slept well too. So well that other mothers commissioned mattresses from Dawn and she found herself with a third job - making woolen cot mattresses in addition to working as a freelance book-keeper and teacher of word processing.

In early 1988, she won £3,000 prize money in a Venturecast award scheme run by the National Westminster Bank and the National Federation of Young Farmers Clubs.

Part of the prize was a week's training at the Cranfield School of Management. With the money and training, she set up the Fairchild Company in November 1989.

Now - 18 months later - the company is set to turn over £250,000, and has 10 full-time and part-time staff as well as several outworkers. Henson, 26, and her husband Simon, have at last won planning permission to build a farmhouse on their 22 acres, after living for seven years in a mobile home and sinking their £10,000 savings into the enterprise.

Business seems set fair, with an increasing order book from eight countries.

It has not always been that way. Months after she moved her loom to an 800 sq ft unit on an industrial estate in the village of Williton, Henson turned over only £250 a week - barely enough to pay the rent and her two part-time staff.

Only when she found a cheaper means of processing her own farm wool and a cheaper source of bought-in wool did turnover increase and scaled-up production begin to seem profitable.

Meanwhile mothers heard of her enterprise through local newspapers and publicity in national magazines.

"People seemed happy to pay up to £90 for our mattresses -



A growing concern: parents are flocking to buy Dawn Henson's woolen cot mattresses

Somerset News

Minding Your Own Business / Clive Fewins

Counting sheep for safe sleep

considerably more than the cost of mass-produced foam versions, and demand was far outstripping our capacity to produce," Henson said.

A price rise in July 1994 meant profits were in sight and demand still rose. The bank agreed an overdraft as the Henson's prize money and initial capital was consumed as they bought extra looms.

At August 1994, monthly turnover had risen to £10,000 and both the bank and Henson's advisers at the Rural Development Commission thought there was a case for scaling up the enterprise.

At the end of year one, the business showed a pre-tax profit of £23,000 on a turnover of £92,000. There was money to reinvest in the business, the Hensons at last had the confidence to think they could sink their remaining funds into a

house. The pressure on Simon to give up the farm and join his wife in the business was over, and all seemed set fair.

Just before Christmas, the Hensons moved into a second industrial unit on the same estate. It is twice as big as the original unit, which is running in parallel, and contains another four looms.

"At last we are able to keep up with demand, though we have just taken on three agents - in London, the south-west, and in Holland, so we are expecting orders to increase as the year wears on," Henson said.

The next stage is to borrow another £10,000 from the bank - the company has to date run on a £20,000 overdraft - to fund a computer system and a prototype automated loom developed with the help of the Rural Development Commission.

"We don't know what a fully automated loom will cost us, or even if we shall be able to afford one," Henson said. "But the aim is to scale up production by this means so we can reduce the large amount of manual labour in our cot mattresses and so hopefully reduce the unit cost."

The long process of patenting the Fairchild mattresses is also finally bearing fruit. The Hensons were worried that imitators might spring up and overtake them, but now they are at the patent pending stage they feel reasonably secure.

"Originally I had no intention of becoming a manufacturer. It was just that I did not wish Dani to have a plastic-covered foam mattress. Most British babies sleep on, but the statistics show there are still five unexplained sudden infant deaths a week and I was not prepared to take any risks," Henson said.

Her dislike of foam mattresses arises from recent scares about the role of mattresses in so-called 'cot death'.

"A poorly understood phenomenon which has fed speculation about safe bedding."

"My research had convinced me wool was the answer. And even if the experts eventually prove that foam mattresses and cot deaths are not linked, I still think there will be a market for my products," Henson said.

She and Simon are also planning to start another company to manufacture and supply woolen wheelchair liners, wool bed overlays, quilts and full-size mattresses to the healthcare market. "Again, these are based on wool," Henson said. "It is cool and clean. It does not burn readily and

can be treated against house

mites and bacteria."

Henson has now reached the stage where she is having to take a hard look at the future. "We have received inquiries from people who might be interested in manufacturing our cot mattresses in South Africa, New Zealand and Australia," she said.

"Other experts have suggested China as a manufacturing base."

"However, we are currently looking at setting up a parallel manufacturing plant in Europe, Germany and Portugal are possibilities."

"Really, we are open to ideas. This is going to be a very telling year."

"The Fairchild Company, 40 Egrove Way, Williton Trading Estate, Williton, Taunton, Somerset TA4 4RF. Tel: 01984 632140."

The Nature of Things

Problem solved in a tube full of DNA

Molecular computers were just a scientists' dream until a recent breakthrough. Clive Cookson reports

Scientists have long dreamt of creating an ultra-compact "molecular computer" that would store and manipulate information in the form of chemical molecules rather than the electronic impulses of existing computers.

Until last year everyone assumed that such a device lay many decades in the future. But in November the dream took a sudden leap towards reality.

Leonard Adleman of the University of Southern California announced in the US journal *Science* that he had actually built a primitive molecular computer and used it to solve a problem. He used DNA molecules, which evolved about 3m years ago to carry genetic information.

Some scientists regard Adleman's work as a brilliant curiosity with little general application, but others think his paper could turn out to be the most important scientific document published this decade.

Although Adleman's is the only DNA computer built so far, several similar proposals have recently been published.

In principle, DNA computing has two great advantages. One is that individual molecules will be able to hold millions of times more encoded information in a given space than the most compact electronic memory.

The other is that a DNA computer offers the ultimate in parallel processing. Whereas the electronics industry regards a high speed supercomputer as "massively parallel" if it has 1,000 chips processing data at the same time, trillions of reactions can take place simultaneously in a DNA computer.

A test-tube could hold a billion billion strands of DNA, each encoding a different string of data in its four chemical "bases" (represented by the letters A, C, T and G of the genetic code). These strings can be combined, split and otherwise manipulated using the techniques of molecular

biology. Although the individual reactions are very slow - typically taking minutes rather than micro-seconds - the average number of operations carried out per second can still be millions of times greater than in an electronic computer because all the data is processed at once.

Scientists had known for several years that this might be possible, but no one had demonstrated the principle even in rudimentary form until Adleman's experiment.

The future will rely on a hybrid of molecular biology and electronics, rather as our own brains do

Adleman solved a fairly simple version of the famous "travelling salesman problem": find the shortest path between seven cities, linked by 14 one-way routes, without retracing your steps. He made seven different strands of DNA (each 20 bases long) to represent the cities and 14 more to represent the possible one-way routes between them.

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biology. Although the individual reactions are very slow - typically taking minutes rather than micro-seconds - the average number of operations carried out per second can still be millions of times greater than in an electronic computer because all the data is processed at once.

In fact you do not need an artificial computer to solve Adleman's seven-city problem: an intelligent child could work it out with pencil and paper. But his demonstration has inspired others to suggest infinitely harder problems to tackle with DNA, which cannot be solved by the human brain or electronic computer.

One category suggested by Richard Lipton of Princeton University in *Science*, is known as the "satisfication problem". It involves finding one out of a gigantic number of potential mathematical solutions which satisfies a particular set of conditions. Lipton showed how a DNA computer could work as a more powerful search engine than anything electronic, by making stretches of DNA to represent all possible solutions and then combing through them to find the right answer.

A more specific example is a technique to break the data encryption standard (DES) developed by the US National Security Agency as a supposedly secure coding system for government and private communications. DES uses one of 2^{56} (two multiplied by itself 56 times) keys to scramble messages. Breaking the code requires testing all possible keys one by one. That is impossibly time-consuming with any existing computer - but might be feasible if every key was encoded in DNA and all were tested at once.

No one can be sure yet that it will be practical to scale up from Adleman's simple system to a DNA computer capable of cracking complex codes. One obstacle, for example, might be a tendency for errors to creep in during DNA processing.

And even if molecular computers live up to the highest expectations, they will be too slow for today's on-line applications. Their future may lie in sorting through astronomical amounts of data for patterns or concealed nuggets of information.

More likely, the future of computing will rely on a hybrid of molecular biology and electronics - rather as our own brains do.

Going for growth

Marilyn Bentley outlines a floral business which is setting trends

After a 10-year career break, Jane Durbridge was eager to start her own business in floral design. "It's one of the odd things about flowers," she reflects. "It's incredibly hard work, dirty, heavy - all the most unglamorous things. But when you stop doing it, you miss it."

A trained and experienced florist, she had kept in touch with the market by executing commissions for friends and contacts from her previous job.

The opportunity to start up on her own presented itself when she was offered a contract to prepare flowers for the public areas and guest rooms of the Marriott Hotel in London's Grosvenor Square.

With Nigel Wooler, a former landscape gardener, she created the limited company Partier, based on a personal investment with her husband of £6,000 each, and an overdraft facility of £10,000. They began trading in June 1989, from an old garage close to the hotel.

Partier is run on a very strict budget and has never borrowed capital. Keeping overheads down and prices competitive are fundamental to its financial strategy. Spending on the lease has never been more than £5,000 per annum, and staff and directors' salaries are fully monitored.

The partners employ two staff at their main premises, with a third in their tiny boutique at the Marriott, at a current annual total of about £27,000. Wooler and Durbridge each earn £1,000 a month.

Partier aimed to get away from stereotypical floral "arrangements" and "cellophane-and-ribbon bouquets".

"We wanted to keep up with modern trends and they have not taken a rise in salary since they began."

Emphasising creative presentation rather than costly blooms, they are able to keep their work competitively priced against other West End florists. Bunches of cut flowers start from about £25. A decorated container will cost about £25; flowers or plants extra.

The business now generates a turnover above £230,000, with an estimated profit for 1989-1990 of £15,000-£20,000. The Partier partners began day courses in floral design in mid-May. If these are successful, they will consider taking larger premises adjacent to their present workshop.

■ Partier Limited, 8 Marylebone Passage, London W1N 7HE. Tel: 0171-323 1623.

Burnt

Fire sculpture

EVER SINCE the first stone was laid in 1990, the new National Gallery in London has been a magnet for visitors. But the building's most striking feature is the 10-metre-tall, 10-tonne bronze sculpture of a figure in a dynamic pose, which stands on a plinth in the middle of the forecourt.

The figure, known as "The Archangel" by its creator, Guy Laroche, is a copy of a bronze sculpture of the same name by the French artist Auguste Rodin, which stands in the Musée Rodin in Paris.

But the bronze in London is not a copy. It is a full-scale reproduction of the original, which was melted down and cast in bronze in France.

The bronze is the work of a team of experts from the foundry in Paris, which has been working on the sculpture for three years.

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F

HOW TO SPEND IT



Bold move: this sofa by Zwerlin is 11ft long and costs £1,900, to order only; working mainly in wood, designers Victoria Reid and Paul Kellie aim to banish the air of austerity and discomfort that often surrounds the material

Into a new dimension

Comfort is vital as designers break new ground in garden furniture. Lucia van der Post reports

Garden furniture seems to fall into two broad ranges: Lutyens-influenced plain wooden benches and tables, austere and authentically English, considered by the *raffine* purists to be all the best-bred garden requires, and the more rocco twirly wrought iron and intricately carved pieces favoured by those of a less austere turn of mind. In between come the romantics with their penchant for wicker and cane.

But what has largely been missing is anything that smacks of the adventurous, the contemporary or the truly avant-garde.

Into the gap steps Zwerlin, a small and innovative company the fame of which is beginning to spread. With two partners in their 20s, Victoria Reid and Paul Kellie, and about 10 helpers, it has already had orders from actress Miranda Richardson, rock singer Bruce Springsteen (the company furnished his latest bathroom), and Charlotte Parsons, managing director of TV production company Planet 24.

As you can see from the splendid sofa pictured above, boldness is Zwerlin's hallmark. Not for Reid and



Zwerlin cafe table with galvanised steel base and softwood top, £110

Kellie the timid or unadventurous - they go, in design terms, for the big one. To go with the sofa there is an equally sturdy library chair with a bookcase built into one of the arms.

Wood is the material they love to work with; they say their aim is to banish the air of austerity and discomfort that often surrounds it.



Lynder sofa by Crafted Comfort, in solid chestnut for outdoor use, £950, cushions extra, to order only

Kellie the timid or unadventurous - they go, in design terms, for the big one. To go with the sofa there is an equally sturdy library chair with a bookcase built into one of the arms.

All the furniture is made to order, but Zwerlin is able to repeat past designs. If, for instance, you love the size and grandeur of the wooden seat photographed here, Reid and Kellie would be happy to make it for you. They could also make it smaller, bigger, wider or in a different colour. In other words they offer a proper bespoke service but at a relatively affordable price.

Zwerlin can be contacted on 0956-416523.

Crafted Comfort Furniture Design makes designs which tend to be of the more classic school - gentle, unassertive and calming. But, like Zwerlin, it believes in crafting wood so it is thoroughly comfortable. The Lynder seat pictured above sums up the company's style perfectly. In cherry and ash for conservatory use or solid chestnut for outside, it is made to order only. Telephone Hugh and Rebecca Walden at the company on 01503-230656.

Another option is provided by **The Iron Design Company**.

As the name implies it specialises in metal furniture and artefacts, and offers a choice of Italianate, rocco and gothic styles.

Pieces can be ordered from a mail order brochure,

and visitors are welcome at the North Yorkshire workshop by appointment. Contact the company on 01609-778143.



Coffee table from The Iron Design Company, prices start at £195



For evening meals on your new garden furniture, night lights from Wax Lyrical branches start at £2.50

Partnership Walk '94

On September 18th, over 10,000 people joined together throughout the UK and several cities in Europe for Partnership Walk '94 in an impressive demonstration of support for people in the Third World. The event, organised almost entirely by volunteers on behalf of the Aga Khan Foundation (UK), raised funds for sustainable programmes such as: reforestation, irrigation, water conservation and biogas projects, all of which involve close community participation.

The Foundation ensures that 100% of funds raised from sponsorship go to the projects - none are used for administration.

AKF (UK) would like to thank all the corporate donors, including those who wished to remain anonymous, and the entertainers for their contribution to the resounding success of Partnership Walk '94.

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Partnership Walk 1995 will be held on Sunday 23 July in Battersea Park, and six other centres across the UK. The Aga Khan Foundation looks forward to the continued support of their corporate donors.

The Aga Khan Foundation is an international development agency that supports long-term projects primarily in Africa and Asia in health, education and rural development. Beneficiaries are selected without regard to race, religion, gender or political persuasion.



AGA KHAN FOUNDATION (UNITED KINGDOM)
3 Cromwell Gardens, London SW7 2LB Tel: 0171-225 2001
Registered Charity No. 266018

The new, unusual and useful

Lucia van der Post outlines a selection of innovative products

Look out for the copper plant tags by Verdi-gris. Not only are they much more attractive to look at than their usual plastic counterparts, they are much more durable.

The tags are available in three sizes: the smallest cost £3.45 for a packet of 15, medium are £4.75 for 15 and the largest are £4.75 for 10.

Each tag can easily be engraved with the name of the plant, using a ballpoint pen and following the instructions on the packaging.

Look out for them at garden centres, or at The Chelsea Gardener, Sydney Street, London SW3; The Conran Shop, Sloane Avenue, London SW3 and by mail order from Scots of Stow (tel: 01249-449111), and Reid & Waterers (tel: 0181-572 3225).

■ City types in search of a proper city suit and a fine shirt now have another option. Cavenagh & Bertie Wooster has just opened up within the square mile at 68 Moorgate, London EC2.

This is not the place for the Armani-suited brigade of those addicted to *Comme des Garcons* or Yohji Yamamoto - it is for lovers of tradition who believe Bertie Wooster got it right and that it is hard to beat traditional pin-stripes, chalk-stripen, grey flannel and dark blue worsted.

The shop itself - all polished wooden cabinets, marble fireplaces, Victorian cast iron bannisters and old foundry brass fittings - sets the mood. Here old habits die hard and the bench-mark will still be the Jermyn Street-style shirt and the Savile Row-style suit.

The proprietors aim to keep prices very keen, though, and suits, both ready-to-wear and what these days goes under the name of "made-to-order" will start at £250. Made-to-order, for those unfamiliar with the work.

Jewellery should only be sent to him by registered post. There is a minimum charge of £5 plus a standard charge of £4 for the return packaging and registered post.

Contact him on 0181-550 0651 or write to David Rose Esq, PO Box 111, Ilford, Essex IG5 0QY.

■ Anybody who has had allergy problems using conventional deodorants or anti-perspirants might like to know about PitRok.

Described as a "natural crystal deodorant" made only from natural mineral salts, it looks exactly as it sounds - an attractively shaped piece of crystal.

To use the product, you simply dampen it slightly and rub it over the skin. It sounds unlikely but, after abandoning hope of finding a deodorant that didn't cause some irritation, I can report that it seems to work.

The official explanation is that it prevents the proliferation of bacteria. It also has the added benefit that because the pores are not blocked, toxins can be eliminated without causing any odour. The product itself is unperfumed. At £4.95 it is available from health food shops, chemists and Fenwick of New Bond Street, London W1.

The shirts will be in the Jermyn Street tradition, with different sleeve lengths, long tails, loose-fitted collars, double cuffs and placket fronts available. Prices will start at £25. To complete the look there are silk ties starting at £22.50.

Together they should keep any City chap with a conventional turn of mind happily clothed.

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City types in search of
proper city and a place
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Bertie Wooster
opened up a
square mile at 50
square feet.
This is not the place to
find established friends or
famous or well-known
lovers of traditional
music. Bertie Wooster
and that is it. It is a
traditional pub-style
place, very simple and
very relaxed and
very unpretentious.

The shop itself - all
modern cabinetry, marble
tops, Victorian chairs and
old country bags
sets the mood. The
ward will be the
dine-in-style bar and the
Bertie Wooster

proprietors are a
bit like Bertie Wooster
and his butler Jeeves.
Three cars are
available for
customers to use.

The supply of
good-quality
secondhand
clothing is
erratic to say
the least.

England can do it - which is
not the same as saying
that they will. But the New
Zealand All Blacks, by far
the world cup's most formid-
able performers so far, have every
reason to fear them in tomorrow's
semi-final in Cape Town.

England go to Newlands, of an
anti-climatic failure on last sum-
mer's tour of South Africa, strength-
ened bugily in psychological terms by
their quarter-final victory over Australia.

Throughout the era of Will Car-
ling's captaincy, they have been a
terrific team when in front and in control,
but no real threat to the best if
they fall behind. Last Sunday's win,
coming from behind against the hold-
ers - and doing so after early dom-
inance had been lost - suggests this
side has found new reserves of self-be-
lief.

At the last world cup, England's
achievement was arguably the greatest
in its rugby history: victory on
consecutive weekends away to France
and Scotland. A double over Australia
and New Zealand, albeit on neutral
ground, would match that. And
England know how to do it, from
their eight consecutive wins over
France. The ruthless containing tactics
that have seen off the French can
do the same to the New Zealanders.

Like the French, the All Blacks
have the attacking firepower to pun-
ish any mistake or loss of control. But



A threat to France: explosive South African wing Chester Williams, who scored four tries against Western Samoa. But his forwards will need to ensure possession if he is to have a similar impact today

SPORT

Tennis

A great champion to the end

John Barrett invites you to take a seat for the match of the century

Next week, a memorial service at St Paul's Cathedral will honour the memory of Fred Perry, the Englishman who won Wimbledon three times between 1934 and 1936 before turning professional and becoming an American citizen.

The present champion is an American who this year will also be trying to make it three in a row. But the weight of history is against 24-year-old Pete Sampras.

Of all the mighty men who have won the world's most coveted title since Perry, only Bjorn Borg has done the triple and for good measure the remarkable Swede extended his run to five titles between 1976 and 1980.

So how good was Perry?

What would happen if he came face to face with Sampras? It is always said that it is impossible to compare players of different eras - isn't it?

Close your eyes and imagine we are in our court-side seats on Centre Court, Fred Perry is in the final again, facing the American Pete Sampras. Each player is at the peak of his power. Only the brave dare forecast the outcome.

"Players ready... Play."

Sampras looks down, bounces the ball and tosses it high. He whips his black graphite racket through a graceful arc and thunders down an unplayable ace, the ball exploding into the canvas with an ominous thud.

For a set Perry is overpowered, dancing nimbly on his feet, adjusting his receiving position but unable to test the American's vollying skills. Meanwhile Perry has been winning his own service games by cleverly varying the direction and pace of each delivery so that Sampras is never sure what is coming next. Nor is Sampras sure how to deal with Perry's frequent quips that set the crowd on edge.

Chester Williams' return, renewing

the sense of this team as representative

of a whole country, could hardly

have been timed better. But if Wil-
liams, as impressive a wing as he is a

symbol of his black countrymen, is to

have an impact comparable with that

of his fourtry display against the

Samoa, his forwards will have to

rediscover the swarming pressure-

play which, ultimately, broke the

nerve of the Australians in the open-

ing game. Here, there is a crucial role

for Ruben Kruger, least publicised of

their loose trio but the one most

likely to contend for a world XV.

No side reaches the last four with-
out doing something right, but the

French formula has been over-reliant

on a favourable draw and the goal-

kicking of centre Thierry Lacroix.

Just as New Zealand are going

against historic habits, so also are the

French - but rather less happily as

conservative tactics betray a lack of

faith in their backs.

What they do not lack is resilience:

injury-time tries by wing Emile

Ntamack against both Scotland and

Ireland, following on from their last-

minute victory last year in New Zea-

land, show that the French go the

distance, whatever their other limita-

tions. That thought will do nothing

for South Africa's psychological equi-

librium today.

While a convincing victory over

Western Samoa reclaimed some of the
momentum lost in stumbling defeats
of Romania and Canada. It resulted
also in considerable physical damage.

Full-back Andre Joubert ended with a
broken bone in his left hand but will

play today - which will be a relief for

his team. Although his form has been

well short of his dazzling efforts in

Wales and Scotland last autumn, the

South Africans do not have a truly

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PROPERTY

Outlook for waterside homes stays buoyant

Negative equity hardly affects this niche market, writes Gerald Cadogan

The market in waterside properties is nothing like so gloomy as the national market. If they have a long frontage and a mooring or jetty, it is almost cheerful: it seems there is nothing like messing about in a boat to banish post-recessionary depression.

Many buyers in this niche market are even paying cash for second or holiday homes, often with an eye to retirement. So negative equity and repossession hardly affect them and, if they need funds, holiday letting is easy.

In the South Hams area of south-west Devon, which has three large estuaries, local people tend to own property in the lower to middle price ranges, reports agent Marchand Petit. Outsiders, on the other hand, concentrate on the middle to upper ranges.

Only 17.7 per cent of the firm's registered buyers are local, as against 21.1 per cent for the home counties and 19 per cent for the Midlands.

Marchand Petit's property index for the South Hams, which covers all types of housing (big and small, waterfront and inland) was set at 100 in January 1992. By January 1995, it had fallen to 72. Price falls flattened out in 1994 and the market has probably reached bottom, the agent believes.

Larger properties on the water, priced above £200,000, should lead the climb up again.

In this vein, Fulfords recently sold a house in a fine position (and with a quay) at Dartmouth, quickly and well above the guide price of more than £250,000.

Now, Fulfords is selling Langstone at Dittisham near Dartmouth, an ancient thatched house in five acres beside a creek with 400 yards of foreshore and romantic views to the river, for offers above £800,000, and Ravenswell at Kingswear, a five-bedroom house with a crenellated boat-house, slipway, deep water mooring and stretch of sandy

beach with waterside grottoes and trout fishing in gloriously sheltered coves.

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For further details contact Anne Sugden ARICS or Carolyn White

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MOTORING

Retirement isn't working

Continued from Page 1

thin diet of means-tested income support.

In other countries, the politics of reducing benefits are proving more intractable because the gains from present benefit levels are many, and more alert to the threat to their well-being. Italy is the extreme case, closely followed by Sweden.

The Italian state already pays more than 14 per cent of GDP in pensions, which are often paid out at an absurdly low age. The dependency ratio - the proportion of people over 65 to those of working age - is set to rise from 20 per cent to 48 per cent between 1990 and 2010. If the present value of the future cost of Italian state pensions is included, the public sector debt would rise to more than 200 per cent of GDP.

Italy has a rich and robust private sector shackled to an unworkable state. It is always dangerous to underestimate its ability to respond in a crisis. But attempts to reduce future pension costs are politically fraught and with the public finances in dire straits, there is an inescapable logic to the position.

If Italy fails to establish responsible government capable of bigger reductions in the burden of pension costs, default on the public debt, whether through inflation, debt conversion or other means, will follow. The temptation is particularly strong now, since government revenues are in surplus if interest costs are excluded from the budgetary equation.

Pensions-induced fiscal stress is also damaging the European economy in other ways. As pension contributions rise as a percentage of the payroll, employers confront a difficult dilemma. If they cannot pass on the cost to consumers in higher prices, or to workers in lower wages, unemployment results. Meanwhile, European industrialists worry that the burden of social cost has reached the point where it undermines their competitiveness vis à vis the newly industrialised countries of Asia.

When governments recognise that the payroll percentage has reached the limits of tolerance, they plunder other budgets - say, for education or infrastructure - which may disadvantage the young and reduce economic growth, thereby compounding the original problem. In the worst designed state pension schemes, which permit early retirement on over-generous terms, the early retirees consume at the expense of national savings and growth.

The ageing crisis thus poses a huge challenge. In the European Union, it threatens the very basis of what politicians in the core countries call the European model, because a high level of social protection is now accompanied by these worries about competitiveness and excessive unemployment. And if the budgetary problems cannot be resolved, demography will wreak inflationary havoc in future. Should it ever come to that, the consequences for the global financial system would scarcely bear thinking about.

Italy, after all, is not like Mexico. It is too large for the IMF, Germany or anyone else to contemplate rescuing. In the event of trouble there would be the risk of a domino effect, in which governments found they were unable to refinance their debt as markets succumbed to panic over the possibility of default across Europe.

Yet the fear of a contagious financial explosion does at least create a powerful incentive across Europe to prevent such an apocalyptic outcome. So what is to be done?

The problem of overgenerous state pensions in continental Europe has prompted calls - often from pensions and investment experts with a powerful vested interest - for more funded pension provision, whereby contributions are independently invested to provide for retirement incomes. Yet this is no answer to the strain of an ageing population.

The real cost of pensions consists of the sacrifice made by today's workforce, which has to consume less so that there are resources left over for today's pensioners to enjoy. That cost is not much affected by a mere change in financing. Nor can it be transferred into the future.

If funding has an advantage, it is more that it makes workers feel that there is some relationship between their contributions and their own ultimate pension. The governmental budgetary process becomes more transparent. In the private sector funding can mean that pension contributions are perceived not as a payroll tax, but as a form of personal saving.

Funding may also increase the national savings rate.

though economists debate how far this is true. In a world of global capital flows, the domestic constraint on investment is anyway more likely to be the availability of profitable projects than the availability of savings.

Yet funded schemes, too, can contain just as many flaws as pay-as-you-go schemes. In the public sector, Africa provides numerous examples of what can go wrong. To take just one case from a recent World Bank report on pensions*, Zambia's public provident fund lost 23 per cent of its value each year on average between 1981 and 1988. That was because it invested exclusively in the government's own public securities. And in 1988 more than half the contributions were absorbed in administrative expenses.

In the private sector, meantime, occupational pension funds have been known to suffer from the same solvency problems as state pension schemes. Look at the US motor industry. An ageing workforce, Japanese competition and the shock of disinflation so rocked the General Motors pension fund that its looming insolvency threatened the mighty GM itself. GM's solution was to protect much of the real value of pensions while imposing lower wages on younger members of the workforce.

With *occupational pensions* there are also problems of inevitable redistribution. Whereas state schemes reward those who were born at the right time, private schemes tend to favour those who have stayed in the same place. Where pensions are related to final pay, people who leave the company are forced to subsidise those who stay. This is the modern equivalent of parental coercion in the extended family.

Such schemes are perfectly designed for a world of unwavering price stability, long-term employment patterns and minimal industrial restructuring - the very opposite, in fact, of the world we live in. Worse, they can provide employers with an incentive to lay off older people, because the actuarial cost of their pension increases as retirement approaches. These people then cease to generate revenue

Privatisation of second childhood may present a huge criminal opportunity

while imposing a needless burden on the state.

In the English-speaking economies the desire of companies to escape from the commitment to guaranteed pensions related to final pay has encouraged the growth of defined contribution schemes, in which the size of the pension is related to the investment return on the contribution. While this has less damaging employment consequences, pensions can become hostage to stock market fluctuations.

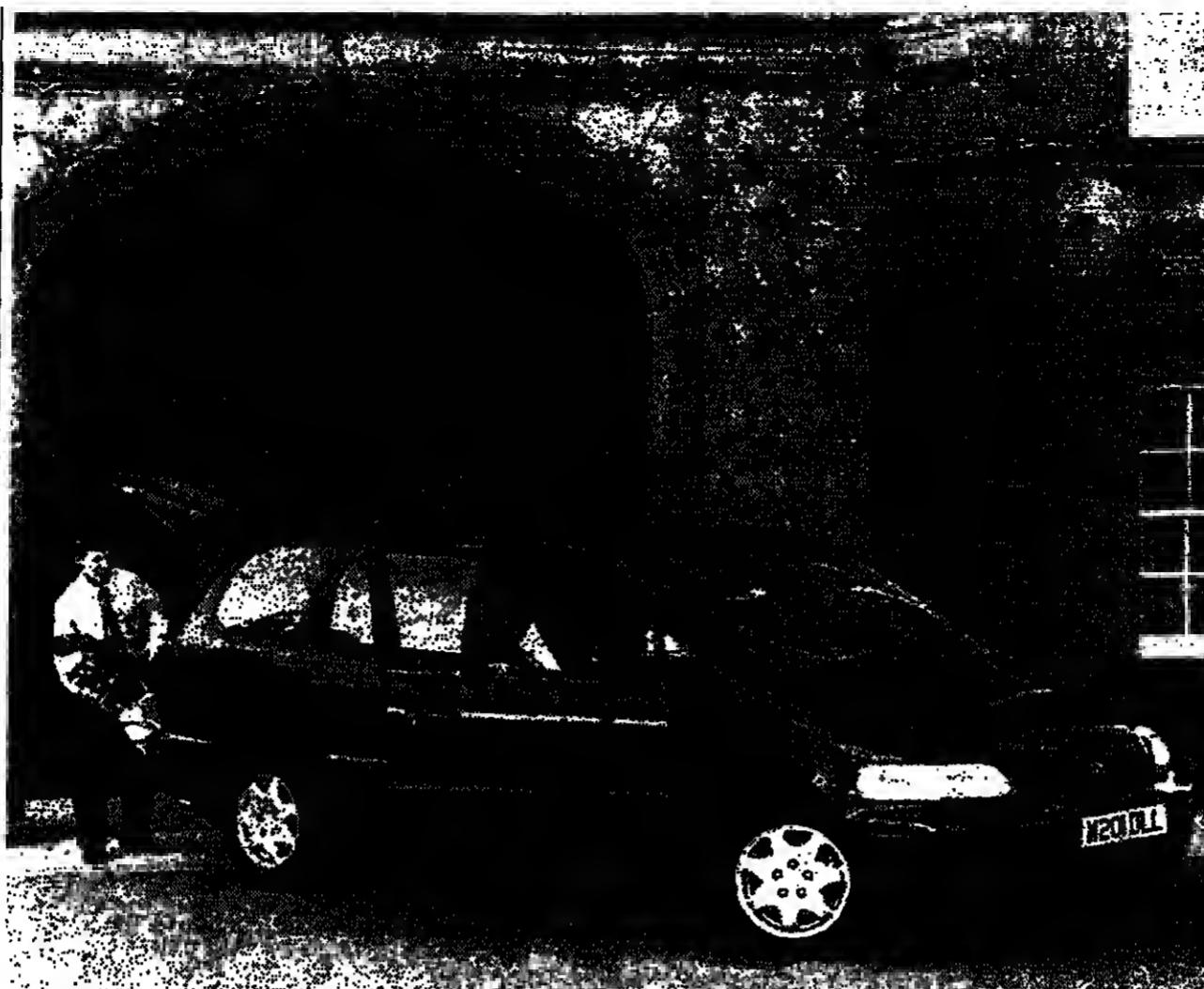
To cope with this, funds usually adopt a low-risk investment strategy, which of necessity implies lower returns. In the case of personal pensions for the self-employed, returns have been further depressed by the managers' excessive administration and sales costs.

All in all, the pension arrangements of the western world are in a mess. Yet the economic problems can be exaggerated. Many fitter and healthier elderly people will want a later retirement. It is absurd that so many pension systems across the world not only make that difficult, but provide incentives to retire early at high cost to the state.

The elderly are also part of the solution to their own problem in another sense. Providing leisure and care for the old will surely generate some of the 21st century's fastest growing service industries.

The longer-term risk may be that if the fiscal problems are ultimately contained by rolling back the boundaries of the state, the privatisation of second childhood will present a huge criminal opportunity, most notably in the private healthcare industry. The question is whether the state in the 21st century will play a committed regulatory role in this area.

If not, we are back to Shakespeare and what is left of the extended family that the 20th century welfare state did so much to undermine. If some childless folk end up "sans eyes, sans teeth, sans everything" in old age, it is all too likely to be because some other predatory party has made off with the loot.

**Averting The Old Age Crisis - A World Bank Policy Research Report*. Oxford University Press, 1994.

The Honda Shuttle: club class seats for six, air conditioning and automatic transmission as standard

More than just a fancy box on four wheels

Stuart Marshall test drives the new Honda and Ford 'people carriers'

Might a vehicle occupying no more road space than a Ford Mondeo estate but offering up to seven seats in a lofty, "one-box" body take your fancy?

If so, Ford and Honda have something new to suit. And four other manufacturers - Citroën, Fiat, Peugeot and Volkswagen - are treading on their heels.

Earlier this month I drove the Ford Galaxy and Honda Shuttle in Scotland. Their similarities were striking, their differences far from obvious.

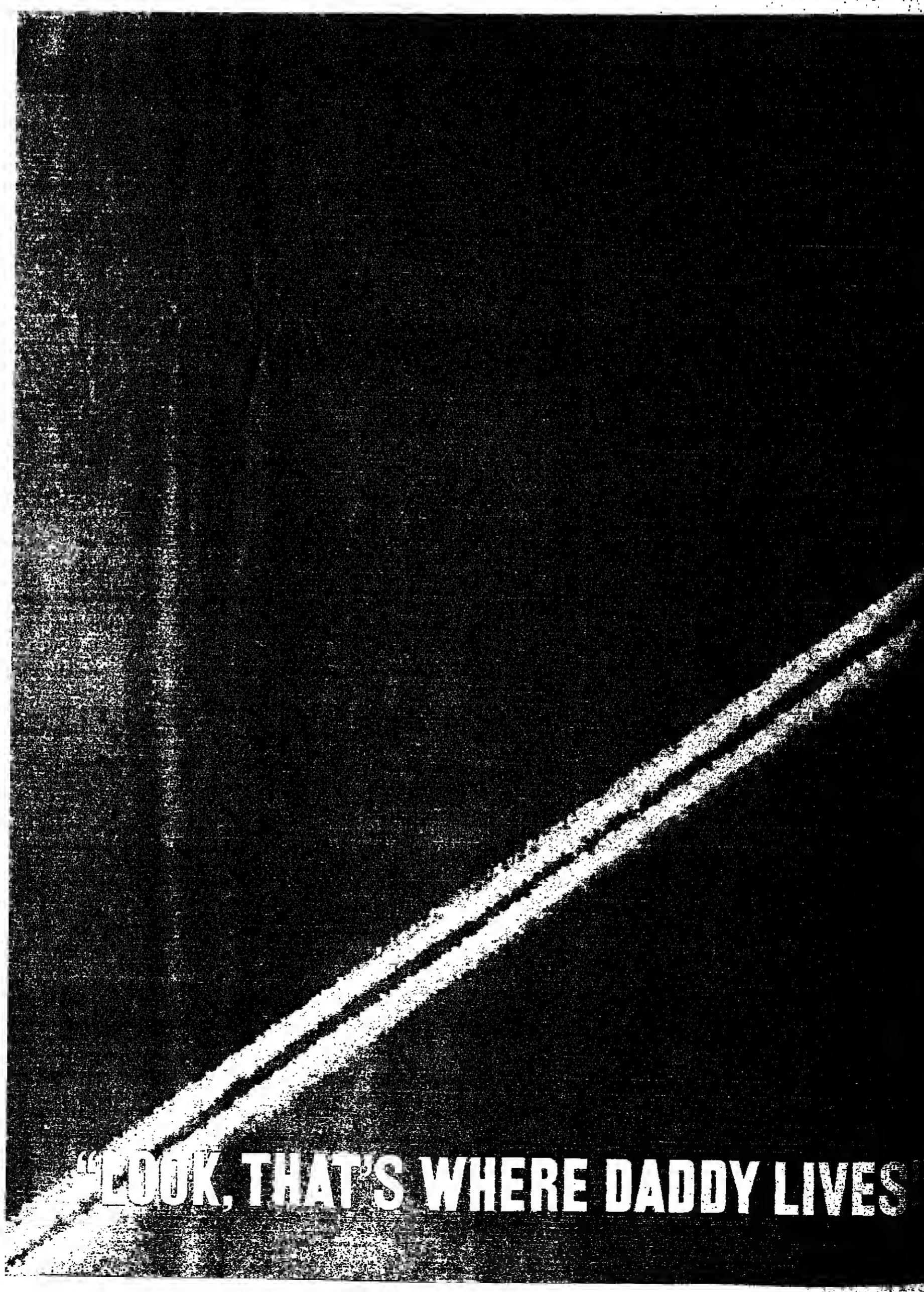
They have the same 233cm/113in wheelbase; the 482cm/185in long Galaxy is just 13cm/5in shorter than the

Shuttle but 12cm taller. Both makers were at pains to say that neither was "just another multi-purpose vehicle or people carrier".

Honda, perhaps a touch circuitfully, spoke of the Shuttle as "more like a private jet". Ford described the Galaxy as "an affordable car plus" and, in a bid to seize the marketing high ground, took to calling its rivals "Galaxy-type vehicles".

Galaxy is a joint Ford-Volkswagen development. It reaches dealers next month with three trim levels - Aspen, GLX and Ghia - two engines (a Ford 2.0-litre, 115 horsepower, 4-cylinder and a VW 2.8-litre, 174 horsepower, V6) and a choice of a

Continued on next page



"LOOK, THAT'S WHERE DADDY LIVES"

John in 50

re than
a fancy
box on
wheels
shall test drives the ne
Ford 'people carriers'
a vehicle
a road
the
Honda
Honda, perhaps a long
spoke of the
described the Galaxy as
affordable car plus
serve the motoring
needs, took to calling
Galaxy a 'people carrier'.
Galaxy is a joint Volkswagen and Ford development. It has
silk-smooth Ford 5-speed manual gearbox or VW 4-speed
automatic transmission.

Though all this sounds
rather complicated, it is only a
beginning. There is also a 1.9-litre,
direct-injection turbo-diesel Galaxy - the engine is
currently used by VW and

Continued on next page



Ford Galaxy: the £15,995 Aspen 5-seat entry model costs little more than a Mondeo 2.0 LX estate.

From previous page

Audi.

A flagship Galaxy Ultimo, with six leather-trimmed, swivelling "captain's chairs" and air conditioning, is on its way and in 1996 there will be a V6 Galaxy with four-wheel drive. Option packs will tailor a Galaxy to every kind of owner.

From parents of young children to windsurfing, skiing and

mountain biking buffs.

There is just one Honda Shuttle. It has a 2.2-litre, 150 horsepower, 4-cylinder engine with balance shafts and comes with automatic transmission, air conditioning, anti-lock brakes and twin airbags.

I found Galaxy and Shuttle were genuinely car-like to

drive though agreeably differ-

ent from one another in several respects.

You sit higher than in a normal car though not as high as in a full-size, on/off road 4x4. The view of Highland roads through their steeply slanted windscreens was commanding; they felt exceptionally spacious.

Two-up or fully laden, they

rode with buoyant comfort, did not wallow on corners and were rewardingly quiet at motorway cruising speeds. It seemed odd at first that nothing was visible forward of the bottom edge of the windscreen but one soon got used to it.

Knowing that only the back humper protruded beyond the rear window, coupled with

power steering and a tight lock, made parking surprisingly easy.

"The potential market will grow," Ian McAllister, chairman of Ford of Britain, told me. Buyers would not just be mums and dads with several children, important though they were.

Young motorists approved of the Galaxy's individuality; older ones found it easier to enter and leave than a normal car and liked the high driving position. Ford sees the Galaxy appealing to company car users, chosen no less than to retail buyers.

Honda and Ford echo the views of Jacques Calvet, PSA (Peugeot Citroën) chairman, in saying that the lorry new one-box cars will compete with saloons and hatchbacks as well as big estates and recreational 4x4s. (Like Ford and VW, PSA and Fiat's one-box car is a joint venture. It will be on sale here soon in Peugeot, Citroën and Fiat dealerships.)

■ PRICES

□ The entry model five-seat Galaxy 2.0-litre will cost £15,995 and the diesel version, £16,995.

□ A seven-seat Galaxy GLX with the 2.8-litre V6 and manual gears is £20,550 and the automatic, £22,350.

□ The Galaxy Ghia V6 is £21,500 (manual), £23,300 (automatic).

□ The Honda Shuttle costs £22,995.

Gardening

Close kept secrets of bedding out

It is still not too late to attain a profusion, says Robin Lane Fox

Wise virgins have already done their bedding out, but foolish virgins are left with the last of the pink petunias, on sale in strips. Non-virgins might like a word of advice, especially if the best of their summer garden is in flowerpots and they want it to look better than ever.

Here, it pays to shop around. The first advice is still not in the official handbooks. It is almost impossible to plant wide flowerpots too thickly, but you must water them every other day and feed them weekly with liquid fertiliser. Phostrogen or diluted Tomorite. Abandon old ideas of one verbena or silver helichrysum, left to creep round a pot of its own. Pack it in and aim in your mind's eye at the profusion of a grand flower-arrangement at someone else's wedding which spreads far above and beyond its vase.

Once a fortnight, hurry the plants along with a further dose of high nitrogen, easily applied nowadays as diluted Miracle Grow. In flowerpots, a high dose of nitrogen encourages soft, green growth and mostly evaporates before plants take it up. In crowded flowerpots, competitors draw it in and sustain the performance which you want.

You may not have aimed at generous profusion, but you are not too late to attain it. Every year, I add to flowerpots until late July. Some of my best successes are bought at the Hampton Court Flower Show, in the week of July 4, and planted with 14 weeks of life outdoors ahead of them. They race away on a rich diet and by late August they repay the effort of planting them.

The best growers bring excellent half-hardy perennials to Hampton Court and sell them by the cartload. Perhaps you already have a truly scented heliotrope which is only found among the old perennial forms. If so, buy anything labelled *Argyranthemum* which will thrive in a potted jungle. The long name hides those pink and white flowers like daisies which the rest of us wrongly identify as marguerites.

My own taste has returned to geraniums. They are not really geraniums, but half-hardy pelargoniums which cannot withstand frost. There are also some traps. The most seductive are the Regal varieties whose large flowers have blotches of deep maroon. They look irresistible now when they are coming into flower, but buyers usually see only one flowering and then sit with a view of green leaves and a few buds for the next three weeks. I now avoid the Regals because they lack continuity.

Until recently, there were two main alternatives: varieties with scented leaves and varieties with large, round heads of flower which were half-way to municipal bedding and therefore of dubious taste. Anything called fragrant or crispum is worth buying for



Lady Scarborough and anything with yellow circles on the markings of its leaves. Feed them with today's fertiliser and yesterday's old, tall varieties seem to go wild.

The best buys of all are much more recent: the Angel varieties which emerged to our notice in the early 1990s. They are the varieties with small flowers, which combine a pink or white ground and a darker maroon marking. They look charming in a profused planting in pots and after three years of experiment, I can safely say that they flower throughout the summer if properly fed.

One of the best known is Tip Top Duet, but my personal favourites are Fairy Queen, Darmsden and Hemingstone. They turn up at shows or on the stalls of gardeners' open days. One of the few listed suppliers for mail order is the specialist D.L. Dean, 3 Lynwood Close, South Harrow, Middlesex. Any other Angel variety is worth buying and they all can be multiplied very easily from cuttings.

As a schoolboy I potted up a discarded cutting from an old pink geranium and tried to see if this unwanted piece of greenery would root. It did, and throughout 1986 it grew madly, converting me to gardening and away from geraniums on the mistaken ground that they were too easy and only fit for beginners. Age brings many of us back to our starting-point and now, I think that anyone, beginners included, would like the small Angels which are the latest variation in this heavily family.



AT&T

Darmsden Pelargoniums

BOOKS

Fiction

A door to the past

Buried for years in a storeroom wall, *The Book of Secrets* is a diary, the record kept by a future governor of Uganda of his first posting in Africa. The diary, with "Explorer" emblazoned on its cover in red, is a relic of colonial days. It resurfaces in 1988 in the hands of Pius Fernandes, the narrator, for whom it serves as a door to the past.

THE BOOK OF SECRETS
by M.G. Vassanji
Macmillan £14.99, 337 pages

Vassanji has written of the novelist as a "folk historian", and it is as an account of an episode in the history of a community that this novel works best.

Thirty miles from the border with German East Africa, in 1914, a local population of Asians and native Africans is caught in the crossfire between European empires, individuals drawn in to networks of military intelligence.

At the heart of the narrative lies the triangle made up by Corbin, Pipa, and his first wife Mariamu. Stranded in mystery, the questions which surround them remain unanswered.

As time moves on and the story opens out into that of the next generation, Fernandes comes face to face with secrets of his own. Haunted like his characters by the past, he is a narrator immersed in his own tale.

Vassanji's prose is simple and evocative and is most effective when description is

sustained. With a light touch he recreates places and times, deploying flashes of colour with a careful attention to detail.

This novel jumps between past and present and episodes of the story are strung together by passages in which Fernandes reflects on the nature of his task. Chunks of narrative are interspersed with sections headed "Miscellany", citations from the Governor's Memoranda, and "Correspondence".

Much of this appears contrived, as the novel struggles to sustain its presentation of itself as a historical documentary. Latter sections are stilted and fragmented.

Vassanji's attempt to work the narrator into his fiction is unconvincing. The self-consciousness of the storyteller is unwelcome and Fernandes' ponderous interventions jar.

From its opening page it is clear that *The Book of Secrets* is a story about the importance of language and writing in shaping history.

The power of the written word, represented by the administrator's diary, has passed out of the hands of the colonisers and into those of the colonised.

Born in Tanzania, Vassanji is a Canadian immigrant.

What this prize-winning novel shares with other, simpler fictions is a wistful introspection, a sense of the past which is personal as well as political. Through *The Book of Secrets* its narrator comes to acknowledge desires and regrets of his own.

Susanna Rustin

Inspired by the Mahabharata

Vikram Chandra's powerful first novel enthralls with its scope, content and festival of adventure. It seems to draw its strengths from the Mahabharata and its weaknesses from Indian cinema.

The mythical Grim Reaper, Yama, appears on earth to claim the soul of a mortally wounded monkey. Hanuman and Ganesha intercede and a deal is struck: the monkey has to tell a story. Ganesha, a contemporary Hindi movie buff, gives his definition of a good story: "one dhamsu conflict. Some chakka-chak song and dance. Grief. Love. Lover for her lover, love for the mother. Love for the land. Comedy. Terror. One tremendous villain whom we must love also. All the elements properly balanced and mixed together, item after item, like a perfect meal with a dance of tastes. There you have it."

The monkey slips into 18th century India where we visit the French adventurer Benoit de Boigne and Col. James (Sikander) Skinner, the founder of the Indian cavalry regiment Skinner's Horse, and dine with the mercenary Anglo-Hajji George Thomas. Later we switch to London and hunt with Jack the Ripper.

When the monkey tires, Abhay, the student who had inflicted the mortal wound on the ape for stealing his jeans, takes over the narrative and

we skim through scenes of American pre-ppidom.

Every character has a story to tell. The images are cinematic and careen off the pages with surprising velocity; but they are transitory and before the impact of one registers it is driven away by another.

The novel has the sound, pathos and fury of an Indian masala movie that doesn't quite register on an emotional level due to the bustle of the narrative and images that

RED EARTH AND POURING RAIN
by Vikram Chandra
Faber and Faber £15.99, 522 pages

have not been optimally formed. It suggests a screen-play that awaits a director and cast to transform it into what could be a great film.

The sections on America are dry and the writing here seems unfocused. Although we meet Abhay's friends, they do not touch us.

In the end one is aware of having consumed an enormous meal. But perhaps not quite the perfect meal that Ganesha envisions. It is as though the writer has assembled the ingredients and blended the masala into a fine reproachless paste. He has failed to cook it adequately, resulting in some indigestion.

Jamshyd R. Sethna

Emotional turmoil in the everyday

Taking Apart the Poco Poco does not sound especially promising in summary. An assistant bank manager's family survives an ordinary Thursday.

Husband, wife, daughter, son and dog; each has their own emotional adventure in the course of the day before returning home to suburbia.

TAKING APART THE POCO POCO
by Richard Francis
Fourth Estate £9.99, 288 pages

for wedding anniversary steaks.

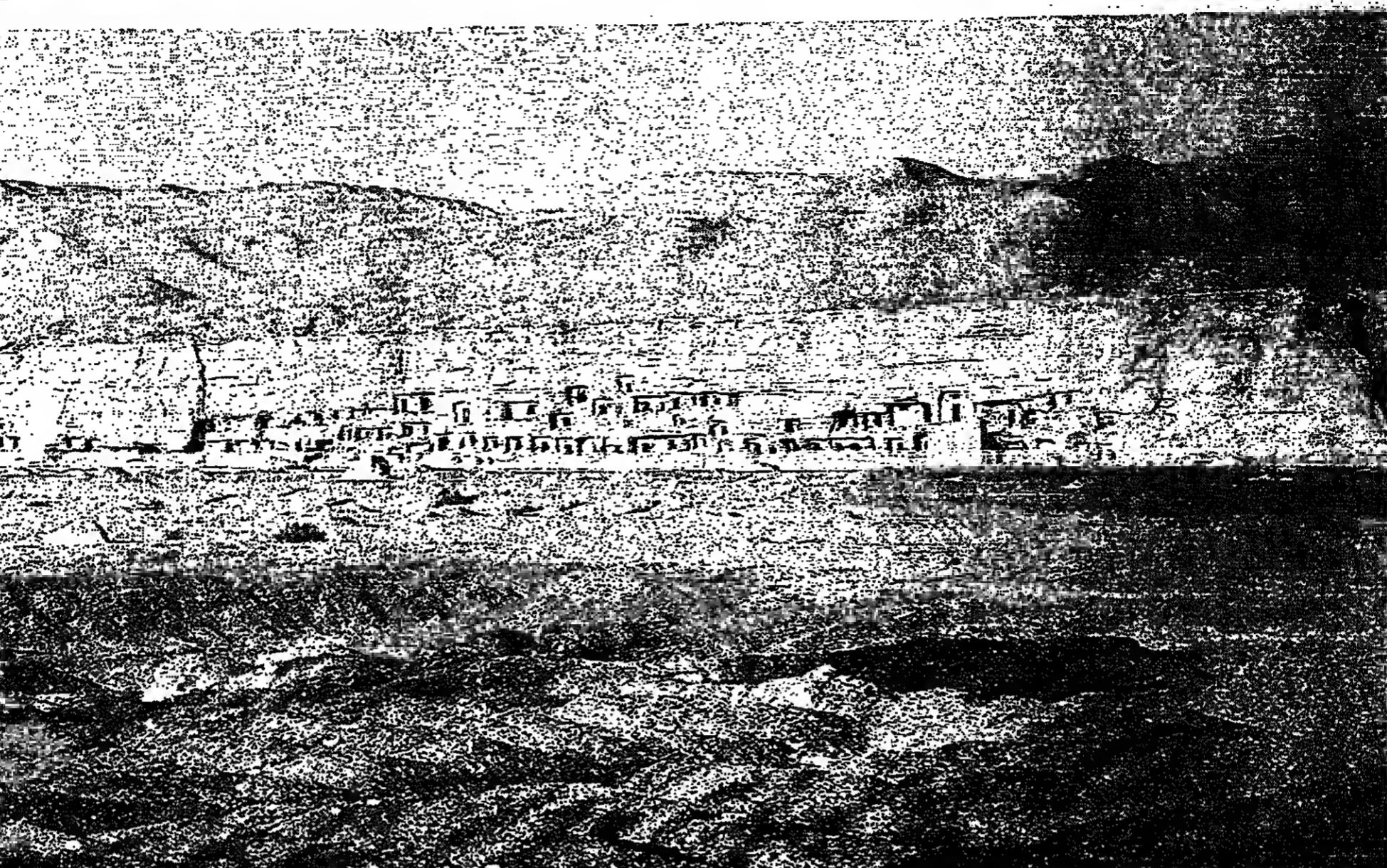
Writing at times like a cross between Raymond Carver and Shona Mackay, Richard Francis uncovers the potent beneath the banal and, as the wife braves the breast clinic

and the small son wanders off making polite conversation with a blathering schizophrenic, he amazingly avoids the sentimental pitfalls that tend to surround such domestic subject matter.

The minds of the wife, at once fearful and angry at the bad hand biology has dealt her, and of the son, calmly propelled by his own weird logic, are inhabited with particular charm.

Minutiae - the smell of toast, a cat's breath, the sensation of drinking direct from a tap - are starkly evoked, but with them a poignant sense that life's significant moments arrive unheralded and easily overlooked amidst its clutter.

Patrick Gale



The Buddhist cave temples of Dunhuang: in China they are always linked with Sir Aurel Stein

An indefatigable archaeologist

Susan Whitfield follows in the footsteps of the little-known man who both loved and exploited China

Even in archaeological terms, where a pot shard is often more valued than a gold cup, Sir Aurel Stein's legacy is breathtaking. The earliest dated printed book and star map on paper; 30,000 written documents in more than 10 different languages and scripts, some previously unknown; hundreds of pieces of patterned silk dating from the third century BC; paintings on silk and paper; thousands of coins from many different countries; maps of previously unsurveyed regions, some of which are still in use today; detailed accounts of a vast area of the world; and the first extensive aerial surveys of archaeological sites: these form a

neglected desert sites. But it is also a recognition of Stein's achievements and love of a place he considered his own. Forced out of China and past retirement age, he eschewed a comfortable retirement in the English countryside and turned his attention to Iran where he also mounted four

AUREL STEIN: PIONEER OF THE SILK ROAD

by Annabel Walker

John Murray £25, 395 pages

expeditions. At 75 he carried out the first of two aerial surveys of archaeological remains in Iraq. And at 80 he realised a long-held ambition to travel to Afghanistan. He died only a few days after his arrival in Kabul.

Stein's life was the stuff of Boys' Own adventure comics, even to the omission of sex and politics. He lived during the two world wars and Russian and Chinese Revolution. Yet in China, it is Stein's name which is always linked with Dunhuang.

The explanation lies, in part, in his aborted fourth expedition, attempted in a very different political climate when the Chinese authorities had realised the importance of these long-

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expeditions. At 75 he carried out the first of two aerial surveys of archaeological remains in Iraq. And at 80 he realised a long-held ambition to travel to Afghanistan. He died only a few days after his arrival in Kabul.

Stein's life was the stuff of Boys' Own adventure comics, even to the omission of sex and politics. He lived during the two world wars and Russian and Chinese Revolution. Yet in China, it is Stein's name which is always linked with Dunhuang.

The explanation lies, in part, in his

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BOOKS

Why virtue will not save society

Try turning the other cheek to a mugger, says A.C. Grayling

Every age perceives itself to be in crisis. Things have got worse, we are apt to say, chucking our tongues; crime is up, the quality of our politicians down, the world in a mess. For folk of religious bent, the attitude is that this time the end of the world really is nigh.

Such sentiments might be comforting, despite being false, because they preserve a belief that somewhere or sometime the world had that chintzy, smiling, afternoon-tea-time feel that a certain sort of cosy 1950s film promoted. But when people begin rummaging about in these myths to provide solutions to present-day troubles, we are in trouble indeed.

Gertrude Himmelfarb is an historian who has written much on the Victorian world, and in this new book informs us that if only we could return to its values we would overcome problems of crime and illegitimate births in our "de-moralized society". She approvingly cites Mrs Thatcher's robust assertion of belief in Victorian values, and presents us with statistical graphs showing crime and illegitimate births falling throughout Victorian times, only to rise sharply in the decades since the mid-20th century.

If we wish those graphs to fall again, Himmelfarb tells us, we must do as the Victorians did, and embrace family life, cleanliness, and godliness. We must be hardworking and orderly. These are virtues, not values; she makes some semantical play of the fact that Friedrich Nietzsche coined the term "values" to mean something different from – and much less pleasant, in her view, than – virtues, and insists that it is virtues the Victorians had, and that we should emulate.

For Himmelfarb the truth in Victorian virtue is summed up in Mrs Nubbles, Dickens's widowed wash-

erwoman who "provided sustenance for her three children in a home that was extremely poor but had the air of comfort about it that comes with cleanliness and order." It is summed up by the Cratchits gathering for their Christmas "feast" (she puts the word in inverted commas herself). It is summed up by the Victorian philanthropists who built libraries and schools. Let's learn the lessons here illustrated, she says, and the graphs will dip again.

This is amazing rubbish. Himmelfarb's game is given away by the

THE DE-MORALIZATION OF SOCIETY: FROM VICTORIAN VIRTUES TO MODERN VALUES
by Gertrude Himmelfarb
Institute of Economic Affairs £12.50.
314 pages

fact that one of her two measures of society's "de-moralization" is the rising rate of "illegitimate births". Hers is evidently a thoroughly Victorian view of vice. The very notion of "illegitimacy" is so anachronistic that one wonders whether she understands the problems that modern society faces. Even the Church of England no longer speaks in such terms. For there is nothing remotely wrong with children being born to unmarried parents, but there is everything wrong with children being brought up in poverty. All the marrying in the world did not stop millions of Victorian children being physically and educationally stunted because of the inequities and inequalities of Victorian society, where poverty was grinding, the streets of London were vastly more dangerous than they are today, and market forces made child prostitution one of the capital's largest employers of child labour.

Those of us whose position on the food-chain is a comfortable one very much like the idea of those lower down the food-chain behaving themselves, being quiet and dutiful and clean, living well-ordered, sober, self-sufficient and self-helping lives, keeping their kids in order and shackling themselves to the iron discipline of mortgage repayments so that they will be sure to go out to work each day at whatever wages they can command. We like it because it means we pay less in taxes (because there is less crime and less welfare to pay for) and can enjoy our privileged position in life more fully. So we urge personal morality on others because it suits ourselves.

But urging individuals to be moral never works. Himmelfarb's solution to crime is to tell people to be clean and godly; imagine the response she would get if she suggested that to a mugger in the street. The only genuinely practical way to get a good society is through communal morality, that is, a conception – arrived at by debate and reflection in our best mood of tolerant good sense – of how as a society we can order our affairs in the direction of fairness and decency. Poverty, ignorance, ill-health, disadvantage and crime are not merely evils in themselves, they are wasteful of the community's resources. Combating them takes imagination and determination, but it also takes capital investment. The Himmelfarb-Victorian solution is to wish vainly that the poor, ignorant and criminal would read Samuel Smiles and become nicer all by themselves; but the only thing to recommend this view is that it costs the rest of us less. But by now, looking around London's streets where the beggars hold out their hands as in those good old Victorian times, we should have learned that cost-cutting costs far too much.



Homeless! Helpless! Helpless!: Children were physically and educationally stunted because of the inadequacies and inequalities of Victorian society. © Mary Evans Picture Library

Big girls don't make little women

The authors have lost sight of these stories' relation to real life of the period, writes Joan Smith

What Katy actually did, for readers who have forgotten Susan Coolidge's novel or never encountered it when they were children, was fall off a broken swing. Her punishment for disobeying her aunt's injunction in this way is severe: four years' paralysis, at the end of which she painfully succeeds in learning to walk again on her dead mother's birthday.

Among the adolescent heroines discussed in this study of girls' fiction up to the end of the first world war, Katy is far from alone in having horrible things happen to her. They routinely lose their mothers, fathers and sisters to accidents, disease or even imprisonment; they are orphaned, abandoned, and farmed out to (initially) uncaring relatives in a type of narrative which, as Shirley Foster and Judy Simons observe of *What Katy Did*, "literally reproduces the traditional Christian patterning of fall

from sin, succeeded by a gradual painful rise to a transformed self".

In *The Secret Garden*, Frances Hodgson Burnett's enduringly popular story about an orphan girl whose salvation results from her discovery and cultivation of a neglected garden, ten-year-old Mary Lennox is found alone in a desolate house in India after both her parents die from cholera. Charlotte Yonge's largely forgotten novel, *The Daisy Chain*, deprives the May children of their mother in a carriage accident which also paralyzes the eldest girl, Margaret.

Easily the best known among these sickly and accident-prone heroines is Beth March, the angelic

third sister in Louisa May Alcott's *Little Women* whose demise is described in the book's sequel, *Good Wives*. According to Foster and Simons, Beth is an equivocal creation whose extreme femininity delicacy simultaneously invites admiration and results in her death: she is "doomed to a world which demands that women must ultimately function outside the family which has nurtured them".

Foster and Simons are unlucky in their timing, for the latest Hollywood adaptation of *Little Women* earlier this year has already produced a plethora of feminist readings along exactly these lines.

It also, in sending many adult

readers back to the novel for the

womanhood with only an absent or distant mother figure on which to model themselves, the March sisters have the ghastly Marmee telling them what to aim for: "To be loved and chosen by a good man is the best and sweetest thing which can happen to a woman". Even worse, Marmee admits the dissatisfaction attendant on conformity and urges her daughters to follow her own example in suppressing them. "I am angry nearly every day of my life, Jo," she tells her least huggable daughter, "but I have learned not to show it; and I still hope to learn not to feel it, though it may take me another 40 years to do so".

Given that Marmee knowingly

colludes in her own and her daughters' oppression in this way, it is hard not to raise an eyebrow over the claim in this study that *Little Women* "projects a profound mistrust of the principles and practices that confined women to roles of wives and mothers and that led to the apotheosis of femininity as a cultural icon". The techniques of feminist scholarship, which have produced exciting new readings of classics texts like *Jane Eyre* and *Wuthering Heights*, founder here when applied to a type of literature which so brazenly sets out to instruct.

Indeed, Foster and Simons are so determined to read subversive meanings into the novels under

consideration that they fail to understand their relation to real life. The relevance of Katy Carr's dead mother in *What Katy Did* is not that "the parental patterning diverges from the norm of the nuclear family" but a reflection of the high rates of maternal (and peri-natal) mortality which constantly disrupted the Victorian family. The tearful deathbed scenes which punctuate these novels would have been a feared and familiar feature of their young readers' lives. In spite of its title, it is precisely that audience which *What Katy Read* does not take into account; instead, the authors struggle to validate their own childhood attachment to texts which turn out, on much later reading, to feature heroines whose rebellions are half-hearted and ineffectual. In doing so, they have missed the obvious truth that big girls do not grow up into little women.

A legacy of greed, mistrust and envy

Eight years have passed since the death of Andy Warhol, and all that need be said of him now could be written on 15 pages. Within another eight years, 15 paragraphs will be enough, perhaps even 15 sentences, and well before the next century is into its stride, 15 words will be ample for the man who quipped that any fool can be famous for 15 minutes.

The panjandums of the New York museums who with such absurd enthusiasm claimed greatness for him, who proclaimed him to be at least as important as Picasso, and who even declared that he "changed art history for ever" are now embarrassed by their folly as they witness Warhol's fame evaporate and the value of his pictures fall. Few men had a more destructive influence on art; few so far lowered the standards of achievement on the one hand, and of aesthetic judgement on the other; no man more successfully made being an artist more important than his art, his life a non-stop happening.

Not quite non-stop, perhaps, for among the very few interesting matters raised in Paul Alexander's book we learn that the shots fired by the drugged and demented authoress of *Up Your Ass* into Warhol's lungs and liver put an end to all vital signs of life, and he was dead for 15 minutes, as well as famous. In 1987, after the excision of his gallbladder, he enjoyed a second, less successful, resurrection, when no one noticed that he had died in the night, and his body was already cold and stiff with rigor, his brain irreversibly damaged, when the efforts to bring him back to life began and succeeded in galvanising



Andy Warhol: few men had a more destructive influence on art

the pale limbs into brief and meaningless activity. We learn too, that throughout this melancholy history that preceded it, Warhol's white wig remained in place – an image worthy of half a dozen Hammer Horrors with Vincent Price as drooling sultan.

DEATH AND DISASTER: THE RISE OF THE WARHOL EMPIRE
by Paul Alexander
Little, Brown £10, 272 pages

The book, however, is less about Warhol than the disorder of his billionaire estate and the shenanigans that trouble it – a curse consumed by vultures. The two leading characters in this allegorical drama, Ed and Fred, lawyer and executor, one of whom may be in love with the other, at first contentedly carve the ample cake and nibble crumbs,

but Greed creeps onto the stage, followed by Mistrust and Envy, with Hatred lurking in the shadows, and a gaggle of advocates, valuers and judges strut the boards as Fred becomes a tragic clown stricken with multiple sclerosis and Ed demands to be paid off with a percentage.

Larded in the style of Harold Robbins with irrelevant biographies of the nurse who emptied the bedpan and the boy who boiled a breakfast egg, jaggedly cut and pieced together in the current mode of television drama, constantly risking repetition as it returns to the dropped plot, this book must be eligible for a prize for confusion, padding, and inflicting sheer boredom on the reader. The author confesses that it grew from three articles in American magazines, but it is, alas, a growth of pricks and suckers fit only for the pruning-hook.

Brian Sewell

Thrillers

Fallen prey to the computer

Proving himself England's answer to Michael Crichton, Philip Kerr has written a compelling if flawed techno-thriller that ruthlessly preys on our fear of science's galloping strides. So well has Kerr tapped the (electronic) pulse of our times, the film rights to this schematic story of a smart building that turns on its dumb creators have been bought for film by Working Title. The curious thing about *Gridiron* is that it reads exactly like a novelisation of a film script.

If the setting is new here, the scenario is tritely generic. In a Los Angeles too close for comfort to our own times, "architectologist" Ray Richardson has designed the computer-controlled "Gridiron" building, a temple to clean lines and the God Technology for the loathsome

Yu Corporation. The warnings of those in touch with older, more elemental gods fall on deaf ears.

Once the building's computer goes AWOL and starts to pick off the mismatched bunch trapped inside, we are in a situation familiar

GRIDIRON
by Philip Kerr
Chatto & Windus £14.99, 573 pages

to anyone who's ever seen a disaster movie.

What the book lacks is not hack ground depth. Like his last novel, *A Philosophical Investigation*, *Gridiron* casts a beady eye into the future, backed up by copious research and a page-turning potboiler plot. The author smuggles a huge amount of information about his twin demons,

modern architecture and computers, into a ripping yarn.

What is missing is a single credible character. Although there are at least two nominal heroes and one (beautiful, naturally) heroine, Kerr's characters are – aptly – as flat as the figures in a computer game. The only way to differentiate them is with the sliding scale of mortality and morality used in the movies. The rude, fat ones and oddballs are marked for death; the rude, charismatic ones are destined to attain redemption before they die; and the flawed-but-basically decent ones are marked for death as the figures in a computer game.

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ues and urban paranoia, Kerr is way ahead of his more literary contemporaries in anatomising the psyche of the 1990s. When creating characters, he is in the remedial class. *Gridiron* has a dumb plot and a formulaic cast; but its setting perfectly captures the mood of the times: just like the best Hollywood blockbuster.

Kerr may have come closer than anyone to writing the first true multi-media book. This is a mature novel that nonetheless constantly nods at the wide screen. Buy the book. See the film. Await the sequel, *Return of the Supercomputer*. But, judging by the grisly fates suffered by Kerr's cardboard characters, you had better not play the inevitable spin-off computer game.

Nick Curtis

Firmly hooked by an expert plot

Kathy O'Shaughnessy admits to swallowing everything to follow the vital clue

As fans will know, Michael Dibdin writes a superior sort of thriller. His characters are drawn with intelligence, his story is good, his narrative structure even better. Ingeniously, he splits his story into separate tales, and only when they intersect does the plot move into view. But that long delay – where the connections are sensed but not fathomed – provides one of the chief pleasures of the novel.

His latest, *Dark Spectre* is about a series of murders that have details in common. They are noiseless executions, where victims are bound with plastic handcuffs and gagged with Sellotape, and shot at close range with a small bore revolver. The killings are apparently motiveless: the victims are simply the inmates of a house at a given

time. Dibdin begins his story brilliantly, by bringing us horribly close to one of these murders, even as he keeps the murderer concealed from us.

Jamie is playing hide and seek, hidden under the floorboards in the basement. The doorknob sounds, and he can hear quiet male voices he does not recognise. All he sees is a foot – a Nike Air Jordan shoe. Later, Jamie finds his brother and friend upstairs, lying face down on the floor, hands bound. Everyone, including the baby and his mother, is dead.

From there Dibdin sets his stories going, introducing us to his main characters: detective Kristine Kjartstad, who connects the diverse killings with each other, and for whom the Nike shoe is a vital clue, and an English teacher called Phil. Phil's

story begins when he is telephoned out of the blue by an old college friend, Sam, who invites him to visit the commune he runs out west. Phil eventually accepts, and the murders and Sam's commune turn out to be connected.

DARK SPECTRE
by Michael Dibdin
Faber & Faber £14.99, 341 pages

Dibdin is a tremendously skilled narrator of events. He banks his story up with believable contextual detail – whether it is Kristine's difficult ex-husband, or the unusually complex-ridden character of Kristine's colleague, Steve Warren. He also negotiates tricky bits of narrative: for example, when Phil loses his wife and child, the story has to contain a note of tragedy without seeming glib. This is tough in a thriller, but Dibdin manages it.

Some parts of the story are a little hard to believe, such as Phil's unspeakable stupidity when he accepts Sam's invitation to his isolated commune. On arrival it is instantly apparent that Sam is a demented psychopath, and Phil seems awfully slow to catch on. Yet by now the hooked reader will swallow anything to find out how events will fit together, and Phil's glibility is accepted as part of his character.

Only in the first chapter do the dialogue and references feel artificial, self-consciously American. For the most part there is not a false note. Expertly plotted, gripping to the last, *Dark Spectre* has the added bonus of being quietly funny.

ARTS

All the folk at the fair

Antony Thorncroft talks to antique dealers about their trade at Olympia

John Biggs points to the elegant walkways threading through the stands at the Olympia Fine Art & Antiques Fair. "That is the river. We are on the river bank. We have to make ourselves attractive that the fish swimming along want to clamber up us."

Biggs is a practised fisherman. He turns aside to talk to a young woman admiring a Georgian corner cupboard. After ten minutes animated conversation she departs with some brochures. She wants a corner cupboard for a new home but there are perhaps 50 at the fair and she will take her time. "My father said you could tell if you have a prospective customer if they wear hand made shoes," says Biggs. "It's not true any more. An old lady in a dirty raincoat and handbag held together with Elastoplast bought a £5,000 table from me at the BADA Fair".

Biggs is a third generation antique dealer based in Bliford and trading under the name of J. Collins. Like most dealers since the recession hit hard in 1989 he has looked to fairs for his living. "Fairs and exhibitions now provide around 90 per cent of my turnover. The public are event orientated."

He is successful, selling good-looking, functional, mainly Georgian furniture, mostly priced at under £10,000. He should clear around £150,000 in turnover at Olympia. He is unusual in not bargaining. "I never reduce prices and I gain sales as a result." He slips away to conclude a deal with an American - for a Staffordshire teapot priced around £250. She is trade and will get a discount. "There is a lot of new business at fairs and 50 per cent of those interested in buying, buy on the spot." They join his list of 4,500 clients, the bedrock of his trade.

Gordon Watson, a Fulham Road

dealer whose stand is stocked with fashionable Art Deco, is equally aware that buyers no longer conform to a class. "Two men in leather jackets and jeans came into my shop just before closing and wanted to look at some Lalique I had in the basement. There had been a spate of robberies and I was about to press the alarm bell. For some reason I didn't and made a sale of £25,000. It was Freddie Mercury and a friend."

In the last three years Watson has learned to love fairs. "You are forced to gear yourself up but there is a definite buzz in the air. Fairs

are where the husband, the decorator and the wife all come together and make decisions on the spot

will cost to replace. "If you give them a good price on the first deal they are happy and will come back."

The glory of Olympia is its size and diversity. There are almost 400 stands and the dealers range from the Mayfair galleries summing it in hard times to specialist dealers who cruise the stands like cheerful magpies picking up underpriced treasures. John Hawkins, an Australian dealer, has already bought 20 objects and sold on 15 of them. In contrast, few general dealers are likely to buy from his stand which is the most eccentric at the fair, trading in curiosities - especially if they are stuffed animals.

With shops in Melbourne and Westbourne Grove, Hawkins & Hawkins is the leading dealer in taxidermy and extinct objects, a class of antique for which there is a growing band of genuine collectors. The stand naturally attracts eccentrics. While daughter Emma Hawkins deals with a man who has some dodo bones, John tells of his first five minutes at this year's fair, in which he sold "the finest collection of treen in the world" to a Belgian dealer for around £200,000.

He was sad about it. "The collection should have gone to the V&A. Now it will be broken up." But he cheers up when he talks about the star of his stand, an aardvark stuffed in the 18th century by Roland Ward, the biggest name in taxidermy. Its price, £9,500, has put off most collectors, who expect to pay under £1,500 for their animals; but anyone can see there is an animation and character to this aardvark that makes it special.

Hawkins has turned his stand into a cabinet of curiosities, with the skeleton of an extinct moa, priced at £20,000; peers coronets from the coronation of Edward VII; and a new buy, a brush to sweep the top of library shelves. The

stuffed kiwi, penguin, and a pair of extinct heath hens have gone.

In complete contrast to the backroom chaos at Hawkins & Hawkins, upstairs among the grander exhibitors the stand of Michel Goedhuis, with its oriental works of art, offers minimalist calm. "I tried to make it look busy to suit the fair but I couldn't live with it." As a result Goedhuis's stock looks expensive. It is not. Prices, especially for early Chinese works of art like bronzes recovered from burial sites, have fallen sharply in recent years as examples have poured into Hong Kong from China. A perfect decorated neolithic pot carries a £5,000 tag; a few years ago a similar example would cost £25,000.

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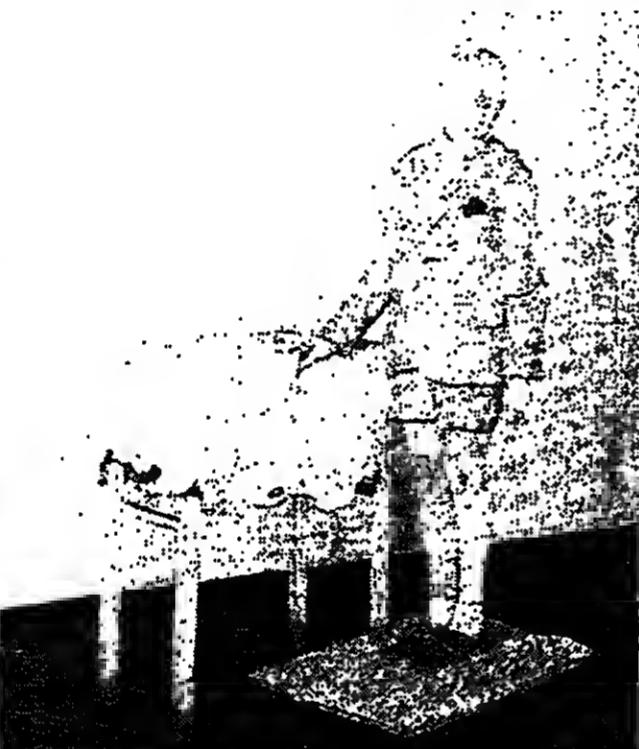
Size and diversity: a visitor examines the exhibits on the Olympia stand of Dermot and Jill Palmer, from Brighton

Fergus Wilson

'Rites' with no rights

Rites of Passage, the Tate Gallery's principal summer exhibition, is useful and even important, although the work is not necessarily quite so significant. A "rite of passage" is an event that marks the transition from one stage in life to the next. Birth, marriage and death are obvious, but quite as notable is the move from adolescence into maturity, from innocence to experience, a moment frequently marked by ordeal or sexual initiation.

Given such connotations, we might well approach the show with some trepidation, but in the event the artist is proposed not as fearsome high-priest, but as merely the *passeur*, the ferryman who takes us from one experience to another, opening doors as he opens minds. In the catalogue, Stuart Morgan (co-curator with Frances Morris) citing the French scholar, Michel Certeau, says that "the *passeur* could be defined as a person of power who uses that power in the service of others. Indeed



Remembrance of the First Holy Communion, 1985 by Miroslav Balka

his description resembles that of a priest... *passeur* could even be an artist." Whatever the artist does may be Rite.

Here the tutelary priest is Joseph Beuys, who died in 1986, an artist right enough but one whose art "was driven by a dislike of doctrinaire and authoritarian political systems, and by the belief that art should work directly to bring about the full realisation of human potential." There it is, the heresy that art should address itself directly to the issues, political and social, of our times, and that the nature of that address should be its justification.

So what corrects the world and fulfills our potential here?

Is it Beuys's three wooden

tables with flower-pots against

the wall, a wonky trestle bal-

anced on four glass jars, and a

scatter of broken glass? Is it

Haimad Butt's elegant New-

balls Cradle of suspended glass

balls filled with yellow gas? Is

it relevant that Butt died at 32

last year of an Aids-related ill-

ness, one of the great "issues"

of our time? Apparently so.

The 60 finalists on exhibition at: Smith's Galleries 56 Earls Court Covent Garden London WC2

"preference for rhetoric, his mere play of sign-systems instead of concern for meaning". His counter-argument is that "the work dealt increasingly with that same apparent vacuity - so much indeed that its opposite was invoked: not absence of meaning but the potential for significance."

Heads he wins: tails we lose.

Bill Viola shows yet another portentous video-installation, all flashes, bangs and mumbles in the dark, rising to a crescendo as figures emerge momentarily on the screens. Susan Hiller projects *Punch & Judy* on video onto four large screens, complete with nannylike voice-over translation of the dialogue, just in case.

Hiller has researched the respective potential of the right and left sides of the brain... (Morgan).

Is it cruel to go on? Robert Gober's installs a door with a light above it and bundles of newspapers on the floor, whereby he "excavates the fissures of pain, anger and resentment embedded in the surface of contemporary American society" (Morris). Jana Sterbak has made a dress of raw meat stitched together to draw attention "to the inevitable decay of all animate things" (Morris). John Coplans shows enlarged and detailed photographs of his own naked body, hairy, fat and elderly. "His purpose," says Morris, "is the individual as embodied time and experience... His is a nakedness we all share." Indeed.

The carvings and theatrical tableaux of Louise Bourgeois, and especially the mysterious figures of Miroslav Balka, possessed as they are of a haunting physical presence and genuine ambiguity, come in this company as a blessed relief.

William Packer

Rites of Passage - Art for the end of the Century: The Tate Gallery, Millbank SW1 until September 3; sponsored by Book's in association with The Guardian.

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For the first ten minutes or so of tomorrow night's opening programme in a new four-part series on Channel 4 called *The Seven Wonders Of The World*, you may find yourself wondering whether you will last the distance. It is not that John Romer lacks the public school accent of a David Attenborough or a Simon Schama - although for a while it still seems surprising in an "academic" presenter on television. No: what may cause doubt is a combination of enthusiasm and vagueness. For a while Romer seems like a puppy, barking in wild excitement at setting off on an expedition yet uncertain about purpose or destination.

Having raved about the Golden Gate Bridge, and told us that "This series isn't about stones and bones it's about the archaeology of wonder", he takes us into the library at Heidelberg University, dons white cotton gloves and a face mask, and reverently turns the pages of a book while telling us about his grandparents' dictionary. The connection, it seems, is that both contain information on the seven wonders of the classical world. But why does Romer not tell us the title or author of the Heidelberg book, let alone identify the exotic script in which it is written?

No matter. Once he is into

the eastern Mediterranean and chasing down the remains, or the sites, or anyway the reputed sites of the ancient seven wonders, he is in his element. Out in the sunshine, under the umbrella pines, his articulate didacticism stops becoming embarrassing and becomes contagious. He is one of those people who, even if they have visited a place a thousand times before, can make it sound as though they have just discovered it. By the end of episode one it is clear that his intention is not merely to identify and describe the seven wonders - though he does that and with the help of the computer graphics brought in by producer/director Peter Spry.

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the eastern Mediterranean and chasing down the remains, or the sites, or anyway the reputed sites of the ancient seven wonders, he is in his element. Out in the sunshine, under the umbrella pines, his articulate didacticism stops becoming embarrassing and becomes contagious. He is one of those people who, even if they have visited a place a thousand times before, can make it sound as though they have just discovered it. By the end of episode one it is clear that his intention is not merely to identify and describe the seven wonders - though he does that and with the help of the computer graphics brought in by producer/director Peter Spry.

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FOOD AND DRINK

Rich Bombay mix excites all the senses

The whole range of Indian life can be seen from the city's restaurants. Nicholas Woodsworth samples a sumptuous culture and its cuisine

I always like, when spending any time in a strange city, to establish a headquarters. I do not mean - heaven forfend - a place to work. I mean a retreat, a familiar remove far from the hurly-burly, to which I can hie myself to relax, to contemplate, to watch the world pass by.

Foreign correspondents choose bars; writers, cafés; students, student unions; Turks, Turkish baths. I prefer to see life pass by from a dining table. That is why in Bombay I have made the Majestic restaurant my *quartier-général*, a home away from home.

■ Monday From my habitual table by the open window, beside the cooler full of Thumps-up soda and Kwality ice cream, I command a fine view of the mad, bellowing city outside.

Inside, all is order and efficiency. Not a sophisticated or exclusive restaurant, the Majestic is a large, bustling, well-run place that serves all kinds of Bombayites. That is why I like it. Why pound those blistering streets, I say, when all India makes its way through the Majestic's doors?

This is an airy, spacious, high-ceilinged place, its upper regions a forest of fluorescent lights and revolving fans suspended on long tubes. On the wall behind the cash desk, ensconced in a mini-temple of smoking incense and flickering oil lamps, is a marigold-garlanded image of Laxmi, the goddess of wealth. Behind me, taking up much of the wall and swathed in crimson plush curtains, is a portrait of Shiva-Ji, the saintly Hindu warrior patron of Bombay. More than a few diners make obeisance before these images prior to sitting down.

Pick your workplace - parliament, prison, corporate boardroom - there is no social hierarchy as ordered as that found in a large Indian restaurant. The lowest of the low, quite literally, are the small boys to be found under the tables, washing the floor around diners' feet.

Then come the slightly older boys, similarly outfitted in grey shorts and singlets, who make the rounds above tabletop level: some, according to rank, clear dirty dishes, others wipe, still others distribute water from trays as big as they are.

A real jump in seniority comes with the waiters themselves, who although barefoot like their junior colleagues, wear mustard-yellow uniforms with brown piping.

The most senior man of all sits in omnipotent glory in a high chair behind the cash desk. Rubber stamp, ink pad,

receipt spike and cash box ranged about him like symbols of high office. He gazes down at us lesser mortals with an air of bored superiority. There is no petty official more mighty than the Indian official.

But the main attraction at the Majestic is, of course, the food. Here they specialise in vegetarian south Indian cooking, a style to which I am partial.

Breakfast is particularly good. Sometimes I have *idlis*, light, steamed rice cakes. They are served with *sambhar* - a spicy lentil, tomato and okra sauce - and a cooling coconut chutney. On other days I plump for *vadas*, small deep-fried dough balls of rice flour served with similarly hot and cooling sauces.

My favourite, though, is the *masala dosa*, a rolled, paper-thin rice pancake, crispier than a French crêpe and so large it flops over both sides of the

district, and am literally borne along by hordes of office workers pouring from its skyscrapers. I put up little protest, and in a minute or two find myself in the *Vihar Vegetarian Restaurant*, a large place catering to the office lunchtime crowd.

Bombay's office-wallahs certainly like their food. Jammed into a table with chattering clerks in short-sleeve nylon shirts, I eat what everyone eats: the lunchtime thali plate special.

It is enormous. In the middle of a large stainless steel platter is a pile of *paris* - deep-fried puffs of whole wheat - and an even taller pile of rice. Around them are arranged different bowls: *rasam* - a spicy vegetable consomme; a potato and onion curry; an eggplant *curry-dhal*; a thin stew of lentils; *raita* - a yoghurt salad of cucumber, onion and tomato; various pickles and chutneys and crunchy papadums.

Their large, round bellies notwithstanding, I cannot understand how anyone can put away such quantities and return to an afternoon's work. I abandon the sweet and stumbling outside in a food-induced stupor, make straight for my hotel and a long siesta.

■ Friday Today finds me in the suburb of Dharavi, Asia's largest slum, eating lunch with *Hiraman Pagar*, a so-called "untouchable". We eat in Indian country style, without utensils and sitting cross-legged on the floor. *Hiraman*'s wife pours water for us to wash, and then from a tiny kitchen produces chapatis, yoghurt, and *masala* chicken in a very hot sauce.

It is a good meal, and I am happy to eat in an Indian home. Despite the dust, the heat, the dirt outside, *Pagar*'s house is as clean as a new pin. The only problem is the *masala* sauce - it sets my throat on fire. But I am nervous about drinking Dharavi tap water; it is loaded with every bacteria known to man. I suffer with a smile and think of ice-cold Thums-ups.

■ Saturday

The cafeteria at Bombay's Victoria railway terminus will never appear in the *Good Food Guide*. The food is prepared by the catering department of the Central Railway, an organisation numbering a quarter of a million employees. But that is nothing. There are 2.4m rail passengers arriving and departing here daily. How could the food be anything other than institutional?

But the bustle here on the second floor of the station, the coming and going, the sense of impending change that infuses diners at their tables. At the cafeteria counter I pick up a tray stamped with hollow depressions. In them are ladled the standard Indian railway meal - rice, yellow *dhal*, two veg (cabbage and cauliflower), yoghurt and four chapatis. The whole meal costs 13 rupees - about 30 cents.

My only disappointment here is that I cannot hurl my empty cup to the floor. In country stations, where tea is sold in roughly fired terracotta bowls, one simply throws them on to the tracks, where they smash in a thousand pieces. It is strangely satisfying thing to do.

■ Sunday After yesterday's bland railway fare, I have decided on something new and unknown. In the Chetana Restaurant near Flora Fountain I am trying Gujarati regional cooking for the first time.

It is not like any Indian cooking I have eaten before. It is like food from another planet - there is nothing on the plate in front of me I can identify. It is all delicious, but I have to call the manager to help me.

There are glasses of cumin water, of buttermilk spiced with coriander. There are breads made from gram flour, rice flour, millet flour. There are main courses that are sweet rather than salty, dishes of vegetables I have never heard of, exotic chutneys made from papaya, from coriander and mint, from tamarind, date and ginger.

When it is over I sit back. In a serious quandary. I realise now that a week of random sampling is insufficient. What about the Tamil restaurants, the Bengali sweet shops, the Kashmiri tea houses, the Punjabi food stalls, the Rajasthani eating houses that beg to be explored? Appetite is not enough; method is required.

Tomorrow, I must repair to the Majestic, my forward headquarters, to formulate a serious plan of attack.

average plate. Inside is a mince of potatoes, onions, green chilli peppers, cumin, mustard seed and paprika. Accompanied by a cup of sweet, milky south Indian coffee, this is a peppy breakfast.

■ Tuesday

I am growing too dependent on the Majestic. I have decided I must get out and try other restaurants. There is, after all, no city in the nation with a wider range of food. People from all over the sub-continent come to Bombay for the work it offers.

None of these stern injunctions are paid the slightest attention by the skull-capped and bearded diners who crowd the place. After a day's fasting in this month of Ramadan, they are simply too famished to think of anything but eating. Pork aside, Moslems are great meat eaters, and vast quantities of mutton, goat and chicken rapidly disappear at the Olympic.

Brain seems to be a favourite here, and the painted menu on the wall is replete with such dishes as "brain masala", "brain pilau" and "brain plain fry".

I have ordered a chicken biryani, an aromatic dish flavoured with saffron and cumin, whole peppercorns and cardamoms. It is good, but frankly I think in the future I shall avoid meat. It is not just qualms about questionable sanitation in a hot climate: in India one simply does not miss meat - vegetarian food here is a delightful treat in itself.

■ Wednesday

No one in their right mind would dream of swimming at Chowpatty Beach after one look at the water. But Bombayites love to wade here in the early evening to escape the densely packed sidewalks and enjoy the evening breezes blowing in off the Arabian Sea.

There is entertainment of all sorts. A favourite with everyone, though, are the dozens of stands selling plates of the city's speciality snack, Bombay *bhaji*.

I cannot pretend to know all the ingredients that go into it. With scores of clamouring customers, the men who assemble it work at lightning speed, scooping up handfuls of this and that from at least a dozen pots before stirring it all together. Crispy noodles, tiny balls of deep-fried batter, yoghurt, sugar, spiced vegetables and chopped coriander are just some of the ingredients of this mysterious snack. After three plates of the stuff I am still no more enlightened, but entirely happy to continue investigations.

■ Thursday

At noon I find myself at Nariman Point, Bombay's business



India on a plate: some of the dishes which grace the tables at the Namaste restaurant, one of London's more fashionable eateries

Trevor Nunn

Indian restaurants aim for a fuller flavour

The emphasis is on authentic regional cooking, writes Nicholas Lander

It is difficult to envisage a British high street without a tandoori or curry house. There are just under 8,000 Indian restaurants in the UK - 2,700 in the areas

largest caterer to the Asian community in the UK; and Kal Dhalwala, with a degree from Oxford and an MBA, who is looking to franchise his Birmingham-based Shilpa Pinks restaurant around the UK.

We are also eating more Indian food at home. Retailers Marks and Spencer and Tesco have their own ranges of increasingly popular ready prepared Indian dishes, and their own Indian food consultants, Shazad Hussain and Mridula Baljeekar respectively.

Two recently published reports say this may - at last

- be a healthy culinary trend.

The first, from the National University of Singapore, found the chilli in curries not only

helps people absorb alcohol but can protect against stomach ulcers. The British Medical Journal reports that balti curries, cooked in large iron pans, are high in iron that is easily absorbed by the body.

These may provide two extra

reasons for visiting your local

tandoori.

But there is another, more

structural, excuse for

experimenting further with

the varied cuisines of the sub-

continent. Young, second-

generation Indian restaurau-

nts are redesigning, exper-

imenting and marketing their

businesses in ways the sector

has not seen before.

They include: Charan Gill,

who arrived in Glasgow aged

seven and now runs Harlequin

Leisure Group, boasting six

restaurants, three pubs and a

turnover of £3.5m; Sanjay

Anand, founder of Madhu's

Brilliant restaurant in Lon-

don's Southall and now the

largest caterer to the Asian

community in the UK; and Kal

Dhalwala, with a degree from

Oxford and an MBA, who is

looking to franchise his Bir-

mingham-based Shilpa Pinks

restaurant around the UK.

These businesses and London

restaurants in a similar

manner to the way the English

Tourist Board grades hotels.

Each participating restaurau-

nts will pay £150 for a full

inspection of its operation,

kitchen and menu and will

be rated from one to five

domes - with appeal, if necessary, to the grandly titled Central Appeals Board.

In addition, many Indian

restaurateurs would like to

follow the example set by

France and Italy with regard

to classifying individual foods

and wines and introduce an

appellation contrôlée type of

system for Indian restaurants.

In future, then, customers

will decide not to go out for

"an Indian" hit for a meal

from one of its regions.

Any cuisine only improves

with example and innovation

from its leading exponents

and the vast improvement in

Indian restaurants in the UK

is due to the way the English

Tourist Board rates hotels.

Today, young French and

British chefs may dream of

owning their own restaurants,

but this has been a constant

ambition among Indian waiters.

Indian restaurateurs have

often shown a paternalistic

interest in the ambitions of

their staff, and Amit Ali, pro-

prietor of the Red Fort, has

been taken more than 20 of

his waiters to meet the bank

manager and arrange finance

to open new London restau-

rants - in friendly competition

with his own.

In spite of this growth, how-

ever, Indian restaurateurs

have been slow to innovate.

Since the introduction of the

tandoor oven in the early

1970s the only significant culi-

nary change has been the

INTERNATIONAL ARTS GUIDE

What's on in the principal cities

AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
• Royal Concertgebouw Orchestra: with violinist Jaap van Zweden. Zoltan Peskó conducts Rihm and Stockhausen; 8.15pm; Jun 17
Royal Theatre Carré Tel: (020) 320 2500
• Royal Concertgebouw Orchestra: Yevgeny Svetlanov conducts a Russian gala evening; 8.15pm; Jun 24

GALLERIES
Beurs van Berlage Tel: (020) 626 0284
• Salvador Dali - Sculptures and Illustrations: retrospective of sculptural work from the 1930's onwards; to Aug 20
• Views of Windsor: watercolours by Thomas and Paul Sandby from the collection of Queen Elizabeth II; to Aug 13
Tropenmuseum Tel: (020) 568 8200
• Nomads in Central Asia: more than 1000 objects on loan from the Russian Ethnographic Museum in St. Petersburg. A multitude of exhibits ranging from a traditional herdsman's tent to embroidered clothing; to Jul 20
Van Gogh Museum Tel: (020) 570 5200
• In Perfect Harmony, Picture and Frame 1850-1920: exhibition of 55 paintings in their original frames brought together by art historian Eva Mendgen. Artists include Van Gogh and Klimt; to Jun 25

OPERA/BALLET
Het Concertgebouw Tel: (020) 871 8345
• The Magic Flute: by Mozart. A semi-staged performance conducted by John Eliot Gardiner and with the English Baroque Soloists and Monteverdi Choir; 7.30pm; Jun 20, 22
Het Muziektheater Tel: (020) 551 89 22
• Die Meistersinger von Nürnberg: by Wagner. Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra and soloists Jan Hendrik Rootert and Siegfried Vogel; 5.30pm; Jun 20, 22

BARCELONA

GALLERIES
Fundació "la Caixa" Tel: (93) 404 60 73
• Postwar Europe, 1945-1965. Art After the Flood: exhibition which aims to present an extensive overview of European art in the 20 years after World War II. There are 527 works by 270 artists in four sections: architecture and design, photography, painting and sculpture; to Jul 30
Museu Picasso Tel: (93) 319 69 02
• Tatlin: exhibition of works by the Russian painter, architect, designer and scenographer who was associated with the Constructivist and Russian Avantgarde movements; to Jun 25

BERLIN

CONCERTS
Konzerthaus Tel: (020) 309 21 02/ 21 03
• Berlin Symphony Orchestra: Kurt Sanderling conducts Beethoven and Mozart; 8pm; Jun 17
• Catalan Festival: soprano Victoria de los Angeles is accompanied by the Guitar Quartet from Barcelona to play Guerrero, Sor, Giuliani and Montsalvatge; 7.30pm; Jun 18
Staatsoper Unter den Linden Tel: (030) 2 00 4762
• Berlin State Orchestra: with pianist Daniel Barenboim, soprano Laura Alkin and mezzo-soprano Katharina Kammerhofer. Pierre Boulez conducts Wagner, Bartok and his own compositions; 4pm; Jun 17, 18 (11am)

GALLERIES
Deutsches Historische Tel: (030) 215 020
• Pictures and References to German History: exhibition with more than 2000 paintings, coins, materials and other artefacts that document the history of Germany; to Dec 1 (Not Sun)

Kunstgewerbe Museum
• Contrast in 20th Century German Design; to Dec 1
Reichstagsgesäude Tel: (030) 280 8079
• Christo: husband and wife Christo and Jean Claude wrap the Reichstag in approximately 100,000 square metres of polypropylene; from Jun 23 to Jul 6

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
• Der Rosenkavalier: by Strauss. Conductor Jiji Kout, production by Götz Friedrich; 7.30pm; Jun 22
• Onegin: music by Tchaikovsky. Premiered at this venue, choreographed by John Cranko, produced by Reid Anderson and Jane Bourne; 5pm; Jun 17
• Tristan und Isolde: by Wagner. Conducted by Jiji Kout and produced by Götz Friedrich; 5.30pm; Jun 18

THEATRE
Freunde der Italienischen Oper Tel: (030) 691 1211
• The Realisation of the Five Year Plan: various acts including mime and comedy to celebrate the theatre's fifth anniversary. In English; 4pm; to Jun 17

COLOGNE

CONCERTS



Constantin Brancusi: exhibition in Paris

Kölner Philharmonie Tel: (0221) 2801
• Berlin State Orchestra: with pianist Daniel Barenboim, soprano Laura Alkin and mezzo-soprano Katharina Kammerhofer. Pierre Boulez conducts Debussy's "Trois Nocturnes", Bartók's "Concert for Piano and Orchestra" and his own "Le Feuille Nuptiale"; 4pm; Jun 17, 18
• Radio Symphony Orchestra Stuttgart: with violincellist Mario Brunello. Gianluigi Gelmetti conducts Ravel, Haydn and Petrossi; 8pm; Jun 21

ESSEN

GALLERIES
• Das Alte China: 200 exhibits on loan from Chinese museums and collections document five millennia of Chinese culture. Included are the finds at the Sanxingdui sacrificial graves on display for the first time outside China; to Jul 5

FLORENCE

CONCERTS
Teatro Comunale Tel: (055) 211158
• Zaida: by Mozart, reconstructed by Luciano Berio. Presented and commissioned by the European Mozart Foundation and conducted by Justin Brown. Soloists include Christine Akre/Christiane Vetter and Mihailo Ansenski/Carsten Stöss; 8.30pm; Jun 17, 19, 20, 22

FRANKFURT

GALLERIES
Städels Tel: (069) 60 50 98 1 15
• Gerhard Richter - Ilya Kabakov: photographs; to Aug 27

OPERA/BALLET

Open Frankfurt Tel: (069) 23 60 81
• Lady Macbeth of Mtsensk: by Shostakovich. Conducted by Guido Johannes Rumstäd and produced by Werner Schroeter. Soloists include Valeri Alekseyev, Ryszard Karczynski and Christine Ciesielski; 7.30pm; Jun 18 (3.30pm), 23

• Reigen: by Boesmans. A new production conducted by Sylvain Cambreling and produced by Luc Bondy. Soloists include Plat-Marie Nilsson, Doug Jones and Elizabeth Ardarn; 7.30pm; Jun 21

GENEVA
CONCERTS
Victoria Hall Tel: (022) 311 25 13
• Swiss Romande Orchestra: with pianist Dominique Merlet. George Pehlivanian conducts Debussy, Ravel, Boulez and Stravinsky; 8.30pm; Jun 22

OPERA/BALLET

Grand Théâtre de Genève Tel: (022) 311 22 11
• Orphée: by Gluck. French adaptation by Pierre Louis Moline. Conducted by Jeffrey Tate, produced by Andreas Hornok. Soloists include Anne Sofie von Otter, Barbara Bonney and Elizabeth Futral; 8pm; Jun 18, 21, 24

LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
• London Symphony Orchestra: with soprano Cheryl Studer. André Previn conducts Strauss' "Four Last Songs" and "Alpine Symphony"; 7.15pm; Jun 18

• Peter Grimes: by Britten. Richard Hickox conducts the City of London Sinfonia and soloists Philip Langridge, Janice Watson and Alan Opie for a concert performance; 7.30pm; Jun 20



Peter Aspden

The antecedents of Essex man

The Sophists advised a rising middle class, whose wealth enabled them to acquire arms. Sounds familiar?

Amid the generally rancid stench of the Scott inquiry into the arms-to-Iraq affair it is most pleasing to detect some top notes of tact and grace. I refer, of course, to the alleged description in a draft extract from the report of William Waldegrave as prone to "sophistry" in one of his explanations to the inquiry.

The government's opponents may be baying for blood, the media setting themselves for the kill, but the dominant tone of the proceedings so far has been cool, muted, almost genteel.

While many continue to see the government-toppling potential of the inquiry, I am not so sure: nobody ever lost an election by

being compared to a bunch of ancient Greeks.

And hereby lies a tale: for the charge of sophistry is one which is too superficially made in contemporary circles. The brand new *Concise Oxford Dictionary*, in which one can now look up the meanings of *snatch*, *telecottage* and *acquaintance rape*, offers a familiar definition of this truly ancient word: "sophism: a false argument, especially one intended to deceive".

But that does not tell the whole story. For the Sophists of ancient Greece have long suffered an extremely bad press. As befits the root of their name, they originally claimed to be teachers of knowledge and virtue. In Homer, a

sophia denoted a skill of any kind: the word *sophistes* came to mean a skilled workman or artist and was soon also applied to diviners, poets and musicians. No references to falsehood or deception here.

But there was a crucial political dimension to the Sophists, for they were teachers who found their market in democratic cities such as Athens among a rising middle class of well-to-do craftsmen and traders whose wealth had enabled them to acquire arms. They, in turn, wanted to be able to challenge the old landed aristocracy for leadership by learning the arts of rhetoric and logic, so they could speak effectively in the assembly and board in the arts and culture of their city.

Sound familiar? Is this not a little like the essence of Thatcherite Conservatism, with its assault on the British establishment and its championing of ordinary people? Could the Sophists have been the antecedents of Essex Man? I am not the first to draw such parallels.

Some years ago, I was talking to that great American journalist and democrat, the late L.F. Stone, who, in his passion for free speech had fallen in love with ancient Greece, and begun – at the age of 70 – to learn its language.

He was convinced that the Sophists were Jeffersonian figures who only antagonised their contemporaries – and posterity – because they affirmed unequivocally the

equality of man. The fact that they charged for their services and spread such radical ideas among the citizens of Athens provoked the wrath of such well-connected, glitterati as Socrates and Plato, who preferred to digress into a semantic fog at the drop of a glass of *retsina* rather than address the pressing social issues of the day.

Thus, in Stone's view, history got it wrong. It landed the simple, obfuscating and frequently cynical arguments of Socrates – that neither knowledge nor virtue was teachable – and mocked, instead the upwardly-mobile Sophists who only believed in disseminating the skills of rhetoric and speech-making because they thought it would lead to wisdom.

Stone's greatest hero was Antiphon the Sophist, of whose writings only fragments remain. He was possibly the first theoretician of the welfare state, believing that the chief cause of dissension in society was inequality of wealth and concluding that the rich "should be encouraged to help their neighbours".

It sounds like a happy principle, but not too many people have bothered to put it into practice over the past 2,500 years. Whether you can use it to justify selling arms to Iraq is highly debatable, but, as has been noted by Socrates, Plato and Sir Richard Scott, it is amazing where a deft argument and a smooth tongue can take you these days.

Private View / Christian Tyler

Analyst of a disturbed generation

It is a difficult age for young people, says child psychiatrist Michael Rutter. But can we discover the reasons?

When it comes to the problems of youth, does anything change? "The world is passing through troubled times," writes a social commentator. "The young people have no reverence for their parents. They are impatient of all restraint: they talk as if they alone knew everything, and what passes for wisdom with us is foolishness for them."

The words were written by Peter the Hermit, a monk Crusader, at the end of the 11th century. In 1952 they were quoted in J. Raven's *Human Nature*, and a fortnight ago they reappeared in a fine fat book co-edited by one of Europe's foremost child psychiatrists, Professor Sir Michael Rutter.

Sociology is not everyone's idea of bedtime reading, any more than is that other soft science, economics. But Rutter's toma, edited with David J. Smith, a criminologist from Edinburgh University, is the sort of Rough Guide to youth to which every headteacher, civil servant, legislator – and parent – should have access.

Its central finding is bleak: things do change. Over the last 50 years in nearly all developed countries there has been a marked increase in "psychosocial disorders" among the young (ages 12 to 26). This is shown in increased rates of crime, drunkenness, drug abuse, suicide and suicidal behaviour, depression and (possibly) the eating disorders *anorexia* and *bulimia*.

Beneath this sombre conclusion lies a very large body of research collated from all over the developed world. It throws up some interesting – as well as some unsurprising – observations:

□ The post-war commercial "youth culture" may have insulated young people from their parents' influence.

□ Problems began during an economic "golden age" between 1950 and 1973 when unemployment was low and living standards were rising. Affluence may go along the rails, but is probably not a sufficient cause.

□ Religious belief is more resilient than falling church attendance suggests.

□ Divorce is closely linked to disorders in children, but parental conflict may prove a better explanation.

□ Sexual abuse of children has probably not increased; reporting has.

□ Crime rates have risen as much in rural as in urban areas.

□ Puberty arrives much earlier

than 100 years ago, and so does a feeling of autonomy, but financial dependence lasts longer.

□ Television may magnify the problems, but is probably a minor cause of them.

□ The week after Marilyn Monroe killed herself, the US suicide rate temporarily jumped 12 per cent.

□ Alcohol consumption fell in the first quarter of the century, was stable between the world wars, was marked from 1950 to 1980.

□ Homicide in Japan (a country often an exception) is at 40 per cent of its 1951 rate.

□ Adolescent-parent conflict is neither "necessary", universal nor usual.

Rutter and his team of experts are careful to say that explanations, however plausible, are merely hypotheses awaiting testing. Even so, it is right to ask whether soci-

Puberty and a feeling of autonomy arrive earlier than before but financial dependence lasts longer

ogy will ever be precise enough to guide us, either as legislators or as parents.

It was with this question in mind that I went to see the professor, a genial man who inhabits an untidy little office at the Institute of Psychiatry of London University next to the Maudsley Hospital in the southern suburbs.

He told me he had been surprised by three things in his report. One was the consistency of the evidence for the study's central conclusion after all errors of bias had been eliminated.

Another was unexpected discrepancies: for example, why had the suicide rate gone up for young men but not for young women?

Most surprising, he said, was the lack of connection over time between the incidence of psychosocial disorders and poverty or unemployment.

But many commentators on his report, he said, had made a fundamental mistake: "They totally failed to appreciate that the explanation for changes over time is not the same as why one person has a problem and another doesn't."

From envy, hatred and malice, Good Lord, deliver us. As they kneel beside their beds each night, those words are no doubt fervently whispered by the directors of British Gas and the other top executives who are struggling so painfully on our behalf to keep ahead of the tide of competitive salaries.

Poor things. To be so maliciously traduced by the little shareholders. Like Lord Justice Scott, the rest of us obviously Do Not Understand how the system works. Or how they sweat to make the system work. How unfair that they should be the object of such a storm of envy.

And how inconsistent. Every week, altogether undeserving men and women are winning monster fortunes on the National Lottery. Some of them haven't done a day's work for years. The great British Public crowds round its TV sets each Saturday evening to cheer the winners. Why should one lot be seen as lucky buggers while the

So, for example, the increase in people's height this century was almost certainly due to better diet, but the individual differences in height are genetic. The increase in drug-taking had a lot to do with the availability of drugs. "But it is another question who actually takes up drugs.

"There's good evidence that becoming unemployed increases the risk of crime, so we should not be complacent about unemployment. But the fact remains that the ten-fold increase in crime over the last 50 years must be due to something else. It is really important to get across that these are not contradictory, they're different." It was a paradox waiting to be explained.

Are we witnessing the worst generation gap in history? No, says the professor. It is a problem of the two post second world war generations of youth, not between the generations. In fact, the generation gap may be narrowing.

Should we blame parents or governments?

"It would be a mistake to do either. Why have family difficulties increased? It would be absurd to suppose that parents have chosen that route and therefore to blame them is misleading. Equally to blame the government seems to me to be assuming a much closer association between national policies and disorders than is justified."

Is it fear of their freedom that teenagers are suffering from?

"I wouldn't put it quite like that. Young people have more options than they used to have and that's mostly a good thing. But it also means they have more decisions to make – about taking drugs, living together before marriage – than in previous eras."

Is someone failing to provide the restraints, or education?

"External constraints are not very effective," said the professor. "It's the development of internal constraints through one's upbringing that is important. I don't know that those are markedly less than they used to be."

He described the long gap between physical maturity and financial independence, and added, quoting some of his own research on secondary schools: "People need to learn how to take responsibility. You learn by doing things, and responsibility is no different."

Rutter's hesitation to give explanations was as honest as it was prudent. But where should the sociologists go now for answers?

A narrower focus on domestic strife and family break-up was one obvious course; another was to do a

closer analysis of country trends and supposed risk factors, to see which influences were specific, which general.

How much confidence have you, I asked, that sociology can isolate the real causes?

"Limited confidence only. But the onus is very much on social scientists to put causal hypotheses as rigorously to the test as they possibly can. That's not easy, because you can't put them under the microscope in the laboratory."

And in the meantime?

"We know a certain amount about factors we can do something about, such as risks to be avoided at school and family protection to be encouraged. What is more difficult is to say what society should do.

Sometimes one has to be willing to say that we don't understand enough what to do. I think that is the case here."

Is it possible there will never be a solution to a problem like this?

"No," replied Rutter, without hesitation. "If things have worsened as rapidly as they have it's got to be for it to go the opposite way."

As for the majority of young people, it has done so before: suicide rates were high at the beginning of the century, went down and now have gone up again. So it's not as if everything is worse than it's ever been before. What we have got to do is understand why this has happened."

He cited the great, unforeseen decline in infant mortality over the century. "The challenge is to do the same in the psychosocial arena. We're not on the verge of doing that – that would be unrealistically optimistic. But it must be possible."

Do you say that because your life would be worthless if you could do nothing for the teenagers who come through your door?

"No, it's simply because all sorts of scientific research problems that seemed insoluble at one time have been solved. Of course, as we solve one set of problems, another rears its head."

Even though there are lots of sociologists constantly on the lookout for trouble?

The professor laughed. "That's right."

■ *Psychosocial disorders in young people*: John Wiley & Sons, Chichester, £29.95 UK

"The majority of young people are doing OK," said Rutter, "and that of course is good." Psychosocial disorders are exhibited by only a minority, for that is an either-or choice. The rest is a question of emphasis – few believe a change of government would make much difference to the way the British live. In the US the decision-making process is slow and tedious that it is all too easily overtaken by the electoral cycle, which dominates most comment. Yet somehow in both countries politics are "interesting" because with persistent delinquency problems is much smaller. It's the same for depression. Mild transient depression is very common, serious disorders much less so.

"There isn't an easy figure to sum it all up. But whichever way you look at it, it is certainly still the case that the majority are doing all right."

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great disparities of wealth and power in a rigidly hierarchical society. But its redeeming feature was *caritas*. It was the ethos of a whole society in which the rich and powerful felt an urgent moral responsibility to make provision for the poor and dispossessed. The human community was felt to be organic. Many of our surviving medieval buildings are witness to that ideal.

Of course there were greedy and cruel men who didn't care a damn. But everyone subscribed to the prevailing ethos of mutual responsibility, of public moral duties and personal answerability to God.

No one wants to turn back the clock. But the deep anger and resentment in our people may be because we sense that over the last decade the last remains of a fabric of humane and generous community have been wilfully eroded by corporate greed and arrogance posing as liberal individualism.

■ Hugh Dickinson is Dean of

Salisbury

As They Say in Europe

A novel political problem

The absence of the political novel is a worrying gap in the culture of continental western Europe. The genre can be literature or rubbish, but either way it is firmly rooted in an important area of national life.

In Germany there has been no such writing since Wolfgang Koeppen's *Das Treibhaus* (The Greenhouse), which was really about the economic miracle in the 1950s rather than the Bundestag. Italy in the 1970s enjoyed the "novel" *Berlinguer e il Professor*, which was in fact based on the life of the then leader of the Communist party.

In Britain and the US, and to some extent in Russia, the political novel flourishes, as does the film. These are based on real institutions. The daily political process provides them with an environment in which the real world hardly matters: the action takes place in ministries, 10 Downing Street, and the White House, or party conferences and conventions. The intricacies of politics are essential to their plots.

The lack of such literature arises in Germany and Italy for opposite reasons. German politics are too dull for any refined literary person to bother with. While in Italy no novel, it is said, could match reality. The media-mogul-turned-prime minister, the prime-minister-as-mafia-hat-man – you need only read the papers to enjoy the kind of tale that would be rejected at an airport news stand as too ridiculous.

But why not in France, a country with a long political history and strong and powerful traditions of democracy, of a sort? A publisher in Paris told me she had received manuscripts for such novels, but they were no good. If something worthwhile came along she would publish it, but she seemed bored by the idea. Yet there have been huge sales of books about former President Mitterrand.

The problem in France is that there is no real political life. The

US and UK politics have an emotional content lacking in, say, Germany

National Assembly does not matter. "Politics" is something that takes place between the offices of the president and the prime minister, the Elysée and the Matignon.

Perhaps the Anglo-Saxons lead in this field because of their obsession with the political process. Their newspapers boast specialised columnists, editors, correspondents and reporters. In London the broadcasters have built facilities near the Houses of Parliament which are the envy of MPs. The White House press corps is more powerful than the White House.

One wonders what it is all for. It is hard to believe that the Westminster hothouse produces much of significance. The only debate that matters is the one about the single currency, for that is an either-or choice.

The rest is a question of emphasis – few believe a change of government would make much difference to the way the British live. In the US the decision-making process is slow and tedious that it is all too easily overtaken by the electoral cycle, which dominates most comment. Yet somehow in both countries politics are "interesting" because with persistent delinquency problems is much smaller. It's the same for depression. Mild transient depression is very common, serious disorders much less so.

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Hans Schnorkel emerged from the flat, grey bulk of the Bundestag as the bleak, November wind whipped off the white flocked waves of the Rhine. He cursed silently, thinking of the lovely plump Klara in the little apartment in Poppelsdorf where even now she would be preparing his favourite dish: pigs-in-a-blanket, with Thuringian liver dumplings, to be washed down with half a bottle of Doornkaat and a few litres of Diebels-Alt. Instead, he would have to go back to his electoral district in Ulm and his skinflinted wife, to toy with little pieces of pink duck and sip some hastily thin swill of the same colour called Rose d'Anjou.

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Worst
secret

Current takeover

Results due next week

Eng 100

THE BIRDS OF THE SOLOMON ISLANDS

MANAGED FUNDS NOTES
are in place otherwise indicated and there
is no profit after U.S. taxes.

Friends and SGI recommended. The regulatory authorities are to be asked to change regulations so as to reduce older insurance bound plan subject to the same tax as new plans.

... **last week's issues**

Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois
4 charges - Charge stock on sale of costs.

The **new** **Stearns** **Stamps** **the** **best** **stamp** **deal** **in** **the** **west** **at** **the** **lowest** **prices** **—** **Offer** **or** **lowest** **price**.

Offered price includes all expenses except agents' fees.

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Yield curves show expected rates of return for different asset classes. The yield curve is a graph showing the relationship between the yield of a bond and its time to maturity. The yield curve is upward sloping, indicating that longer-term bonds generally offer higher yields than shorter-term bonds. The yield curve is downward sloping, indicating that shorter-term bonds generally offer higher yields than longer-term bonds. The yield curve is horizontal, indicating that all bonds have the same yield.

Enchanted Forests of California, by John Muir, 1894. (See page 116.)

are for the components where extensive testing has been done.

1. *Leucosia* 57 *Leucosia* 57 *Leucosia*

19. *Leucosia* *leucostoma* (Fabricius) (Fig. 19)

WEEKEND INVESTOR

Bids

Worst-kept secret is out

One of the City's worst-kept secrets came into the open this week when Dresdner Bank of Germany announced it was discussing a possible cash bid for Kleinwort Benson, one of London's last independent merchant banks, writes David Wighton.

A bid for Kleinwort had been widely expected after the rescue of Barings by ING, and Swiss Bank Corporation's purchase of Warburg's investment banking business.

Prompted by heavy trading in its shares, Kleinwort confirmed that Dresdner had approached it about a cash offer at "around" its then market price of 75p. That would value Kleinwort at around £1bn, not a huge sum for a company expected to make about £100m before tax this year.

■ Current takeover bids and mergers

Company	Value of bid	Market value per share*	Price per share before bid bid date*	Value of bid	Market value per share*	Price per share before bid bid date*	Offeror
O	24	24	18	20.75	Ash & Lacy		
Ericsson	100	105	77	51.41	Ericsson Group		
Orbitron Radio	316	305	300	21.10	Orbitron		
Kleinwort	140*	142	138	23.00	Total (Edinburgh)		
Kelner	50*	50	45*	77.88	Carrie Corp.		
North Sea Assets	34*	34	22	19.00	Dresdner Ind.		
Rotman's Int	625*	618	488	1.20p*	Richemont		
Shenkar	230*	233	213	30.70	Schweiz		
Southern Gas	84*	82	71	81.10	AICO Standard		
Sunet	212	228	215	18.69	Weston Industrial		
YSL	216*	2165	1738	835.00	GEFC		
VSCL	1728	2165	1778	655.88	Bar. Aerocar		
Warbur G.G.	794	767	837	860.00	SIC		

Prices in pence unless otherwise indicated. *All cash offer. \$For capital not already held. £1 Unconditional. *Based on luncheon prices 16/6/95. \$5 Shares and cash. *Value of 39% not already owned.

■ Results due next week

Company	Sector	Announce date	Dividend (p)*		
			Last year Interim	Final	This year Interim
FINAL DIVIDENDS					
Amherst Industrial Holdings	Chem	Tuesday	6.0	14.0	7.0
American Endeavour Fnd	n/a	Wednesday	-	-	-
Artesian Estates	Prop	Wednesday	-	-	-
Ascaso Bellifit Engineer	Dist	Wednesday	-	0.05	-
BTG	Chem	Monday	3.45	6.55	3.75
Calton Group	Prop	Wednesday	-	-	-
British Steel	n/a	Monday	0.5	1.5	2.0
Caledonia Investments	Dist	Wednesday	-	-	-
Carpentier	Text	Wednesday	2.7	4.3	3.9
Castle Mill Int'l	Text	Thursday	-	-	-
Coult	Text	Wednesday	2.0	5.0	2.0
Crown Eye Glass	Prop	Friday	3.75	4.75	-
Debenham, Tewson & Chin	Prop	Tuesday	1.075	-	-
ERF Holdings	Eng	Wednesday	-	-	-
East Midlands Elec	Dist	Friday	0.8	15.0	6.5
Essex & Suffolk Water	Wtr	Monday	-	-	-
Evans of Leeds	Prop	Tuesday	1.58	1.74	0.87
Fidox	Dist	Monday	0.75	1.0	1.05
Fitter Smith & Turner	Text	Thursday	2.52	5.25	2.85
GB Int'l	Eng	Wednesday	2.47	4.5	1.0
Hambros Inv Trst	Int'l	Monday	-	-	-
Haris (Philip)	Dist	Tuesday	2.2	4.55	2.2
Hawthorn Foods	Prop	Wednesday	2.4	4.3	-
Hickling Petroleum	Text	Monday	1.95	3.95	1.8
JJ Group	Prop	Monday	1.6	3.2	1.65
Jung Hotel Gpt	Text	Wednesday	0.02	0.02	-
Kalamazoo Computer Grp	Prop	Tuesday	0.85	2.45	1.0
Knell Systems	Prop	Thursday	-	-	2.5
King & Shaxon Holdings	Dist	Monday	4.0	5.0	4.0
M&G Second Deal Trs	Int'l	Thursday	-	-	-
Manweb	Dist	Wednesday	0.75	21.00	-
Manweb Plc	Dist	Tuesday	0.7	16.3	8.2
Prior	Prop	Tuesday	-	-	-
Safeland	Prop	Tuesday	0.6	0.75	0.65
Shanks & McEwan Grp	Dist	Tuesday	2.24	4.0	1.1
Stew Arthurs & Co	Prop	Friday	0.5	1.5	0.2
Smith & Aitken Huds	Prop	Tuesday	7.0	10.5	8.7
Stibb Western Elec	Dist	Wednesday	7.0	10.5	8.7
String Industries	Eng	Monday	1.8	4.5	2.5
Sytone	Eng	Friday	1.425	3.51	1.71
Tamm (John) Grp	Sheet	Tuesday	1.6	2.41	1.6
Waddington (Lond) Plc	Prop	Wednesday	3.8	4.7	3.8
Wainhomes	Dist	Monday	-	-	1.5
Wellman	Eng	Wednesday	0.3	0.5	0.4
Wessex Water	Wtr	Thursday	10.0	18.37	-
INTERIM DIVIDENDS					
Airtours	Dist	Monday	1.1	10.3	-
Bankers Inv Trst +	Int'l	Wednesday	0.97	-	-
Deloitte Lloyds Inv Trst	Dist	Thursday	-	-	-
Deutsche Electrical	Dist	Monday	2.1	4.7	-
Euromar	Prop	Tuesday	2.8	3.5	-
First Latinam Corp	Dist	Tuesday	2.12	4.9	-
GET Group	Dist	Thursday	-	-	-
Hardy & Hauxwell	n/a	Tuesday	3.4	6.0	-
Headstone Brewery	Brew	Wednesday	1.0	3.5	-
Henderson State IT	Int'l	Monday	-	-	-
Johnson & Firth Brown	Eng	Monday	-	-	-
LPA Industries	Prop	Tuesday	0.8	0.85	-
Logis & General Recovery	Int'l	Wednesday	-	-	-
Lonrho	Prop	Thursday	-	-	1.5
Marston's Huds	Prop	Tuesday	-	-	-
Paragon Int'l Cap Trs	Int'l	Tuesday	-	-	-
Quality Care Homes	Prop	Wednesday	-	-	-
TBS Group	Bank	Thursday	2.844	5.40	-
Turkey Trs	Int'l	Wednesday	-	-	-
Watson & Philip	Prop	Tuesday	4.7	10.4	-
Dividends are shown net of pence per share and are adjusted for any interim scrip issue. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. ** 1st quarter. ** 2nd quarter. ** 3rd quarter. £ Irish punt and pence. Correction - Hartstone Group dividend information published in edition dated June 10 referred to dividends paid in 1991/92.					

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■ Last week's interim results

Company	Sector	Half	Pre-tax profit (£'000)	Earnings* per share (p)	Dividends* per share (p)
ABP	Prop	Mar	10,000 (11,100)	24 (22)	-
AGF Developments	Prop	Mar	100.2	1.1	-
Bentley Int'l	Prop	Mar	11,000 (12,000)	12 (11)	-
Breitling Corp	Prop	Mar	1,100 (1,200)	1.1 (1.2)	-
British Steel	Prop	Mar	2,110 (1,200)	0.75 (0.75)	-
Body Shop	Prop	Mar	500 (2,000)	0.25 (0.25)	-
Derby Europe	Prop	Mar	2,020 (1,000)	1.1 (1.0)	-
Edgewater	Prop	Mar	2,000 (1,000)	1.2 (1.2)	-
Galaxy	Prop	Mar	1,000 (1,000)	1.2 (1.2)	-
Grantham Capital	Prop	Mar	221 (246)	0.25 (0.25)	-
Heads	Prop	Mar	1,000 (1,000)	1.2 (1.2)	-
Keweenah Mtns	Prop	Mar	2,000 (1,000)	1.2 (1.2)	-
MFC	Prop	Mar	2,000 (1,000)	1.2 (1.2)	-
RCI Holdings	Prop	Mar	1,000 (1,000)	1.2 (1.2)	-
Scotinvest	Prop	Mar	1,000 (1,000)	1.2 (1.2)	-
Thermofax Prod	Prop	Mar	1,000 (1,000)	1.2 (1.2)	-
Trust	Prop	Mar	1,000 (1,000)	1.2 (1.2)	-
(Figures in parentheses are for the corresponding period.) *Dividends are shown net of pence per share, except where otherwise stated. £ US dollars and cents. £ Previous year figures. * Figures after exercise of warrants. * Comparative pro forma. £ Comparative for 52 weeks. + 15-months to Mar 31. * 51-week figures. £ Comparative for 3 months. £ 7 month figures.					

Directors' dealings

Largest sale of the week was at Headlam, a floor covering company, in which chairman Graham Waldron sold 885,000 shares at 175p, writes Vivien McDonald of *The Inside Track*. This deal accounted for around 20 per cent of his total holding. ■ Selling has continued at Trinity Holdings, which makes fire engines and rubbish

trucks. Chairman Geoffrey Hollyhead and Richard Owen, an executive director, disposed of 250,000 shares between them but retain more than 13 per cent of the capital.

■ Selling has continued at Trinity Holdings, which makes fire engines and rubbish

In the Pink

Why does Japan not solve its problems at a stroke? Because decision-making is paralysed by the US-imposed unanimity law, says Brian Reading. And Europe could soon be in the same boat

Brian Reading is a director of Lombard Street Research.

Want to know what life with a European single currency could be like? Come to Tokyo and see - but hiring a mac, it's been awfully wet. The rains have come tumbling down and so has the stock market. The Nikkei index peaked 66 months ago in December 1989, at 38,915. On Tuesday, it closed 60 per cent lower. Wall Street peaked 66 years ago, in October 1929, and 66 months later it was also down 60 per cent. But it rose 50 per cent in the following year. Tokyo, on its way down, is passing Wall Street

Weekend Investor

Wall Street

The heat is on as profit warnings bite

Analysts' optimism is misplaced as consumers save their cash, writes Maggie Urry

It is T-shirt weather on Wall Street. But they are being worn threadbare this year. T-shirt sales are down. So says Fruit of the Loom, the T-shirt and underwear maker, which on Tuesday warned that its second quarter profits would not match analysts' forecasts. The company's shares fell \$3 to \$23 that day and by yesterday morning had fallen nearly 30 per cent.

There are two lessons to be learned from this. The first is that the great American consumer is retrenching from the excesses of last year. Retail sales are weak (see chart). The Commerce Department's statistics showed May retail sales up only 0.2 per cent from April, which in turn showed a drop of 0.4 per cent from March. Economists had predicted a 0.8 per cent rise in May, a higher bounce back from the dull April figure.

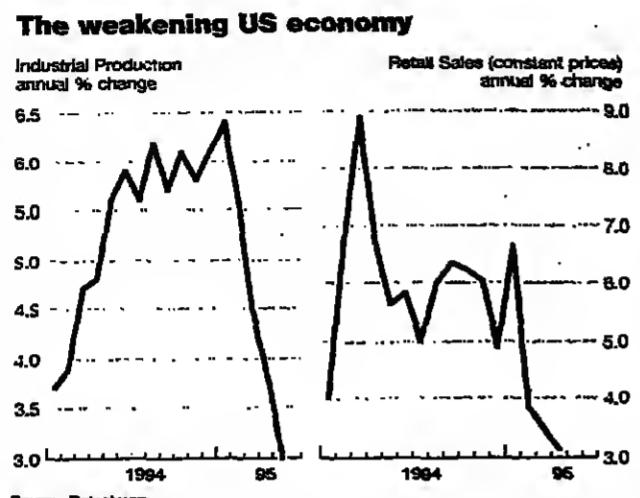
One argument had been that consumers were receiving their tax refunds later this year, because the tax department was scrutinising refunds more closely, and that once the cheques arrived people would rush out and spend the money. At \$2.4bn, May tax refunds were up \$8.3bn on May last year. But it seems that cash has gone into bank accounts, not shops.

The second lesson is that profit warnings from companies are being taken badly by the market. Fruit of the Loom did not say its profits would be down, just that estimates ranging from 65 cents to 70 cents a share, compared to 51 cents a share in the same quarter of 1994, were too high.

In other words, analysts had been predicting a rise of between 27 and 37 per cent, a cracking rate of growth for what is a fairly mature business. When they found out growth would be slower than that the shares were hit hard.

Another company whose shares suffered after a profit warning is Rubbermaid, which makes basic, low-price household goods and toys from plastic and rubber. Its shares fell 15 per cent when it said second quarter profits had been hit by bigger raw material costs which, when translated into higher prices in shops, bad cut sales.

What do these two lessons say about the economy and the stock market? The economy has certainly slowed sharply in



the second quarter. This week's figures for industrial production showed the third monthly fall in a row, with May's figure down 0.2 per cent, the longest run of declines since the recession of 1990-91.

But inflation is well under control. The consumer price index was up only 0.3 per cent in May and 3.2 per cent over the past 12 months. That may be because consumers are refusing to pay higher prices – as Rubbermaid discovered – rather than because there is an absence of inflationary pressures. If so, companies' profit margins will be squeezed.

The stock market is delighted by the slower economic growth and lower inflation, since that should allow interest rates to fall. Never mind repeated remarks by Federal Reserve officials that interest rates are not about to be cut. The market has decided that rates will be reduced at the August Fed meeting if not the July one.

Slower economic growth inevitably means slower profit growth. The stock market is ignoring this rule, with analysts forecasting profits rising strongly this year and next. Mergers and demergers are both good for share prices. It can be argued that both make corporate America stronger. Demergers add focus while mergers add scale or strategic benefits.

IBM added \$4 a share to its original \$60 bid for Lotus Development, and turned a hostile approach into an agreed deal. In the electronic payments industry, First Data announced a merger with First Financial Management.

At the same time, ITT's shares jumped when it said it would break itself into three, while Sprint proposed the sale or spin-off of its cellular phone business and W.R. Grace announced the demerger of its medical care division.

Dow Jones Ind Average

Monday	4,446.46	+22.47
Tuesday	4,484.51	+38.05
Wednesday	4,491.08	+6.57
Thursday	4,496.27	+5.19
Friday		

Meanwhile, shares in health management groups suffered after Humana warned its prof-

its would not match analysts' forecasts.

The occasional share price slump will not have much impact on the market as a whole, but if a trend of profit warnings develops, the market could be challenged.

The consensus forecast for earnings from the S & P 500 constituents is for a rise from \$32.27 a share in 1995 to \$43.75 in 1996. That sort of rise would be difficult to achieve without roll-backing economic growth or higher inflation. Neither would inspire the Fed to lower interest rates.

Even so there was plenty of corporate news this week to encourage the market to attack the 4.50 mark.

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Thursday 4,496.27 +5.19

Friday

fall below the G7 average but now, once again, Britain is raising prices faster than its

peers. Such a change in trade

such as a change in trade